Exhibit 2 (Part 1)

NABORS

2015 ANNUAL REPORT

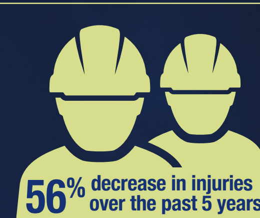
2015 SIGNIFICANT ACCOMPLISHMENTS

Through our proactive management of the industry downturn, we achieved significant cost reductions, including a **20%* decrease** in administrative costs and a **50%* decrease** in capital spending compared to 2014

* In each case, excluding the impact of our historical Completion & Production Services business.

Strengthened the technology portfolio of our Drilling and Rig Services business, most notably by adding the next-generation, fast-moving **1500-hp PACE® M800** land rig to our fleet and developing a new icon-based, modular controls rig operating system

Achieved the best annual safety performance in our Company's history, with a total recordable incidence rate of **0.82**



Ensured adequate liquidity during the downcycle by expanding our borrowing capacity by **$750 million**, effectively bringing our total capacity to approximately **$2.25 billion** as of December 31, 2015

Right-sized and optimized the Company's financial and organizational structure in light of renewed business focus and dynamic market conditions

Returned **$69.4 million** in dividends to our shareholders in 2015, reflecting our commitment to delivering maximum shareholder value

CEO LETTER TO SHAREHOLDERS

Anthony G. Petrello
Chairman, President and Chief Executive Officer

Dear Shareholders,

During 2015, the global oil and gas industry continued to experience deteriorating market conditions as crude oil prices declined more than 70 percent since the commencement of the downturn in late 2014. Although our international business held up well, our U.S. customers quickly responded by lowering their spending. Across our industry, this impacted the overall number of working rigs, especially in the U.S. Lower 48. Despite these challenges, we significantly transformed Nabors by sharpening our focus as a pure-play land driller and leveraging technology as a competitive advantage.

Among our most notable 2015 accomplishments was the closing of a substantial strategic transaction that created a diversified, North American oilfield services company, in which Nabors retained majority ownership. Announced prior to weakening global market conditions, this transaction allowed each entity to concentrate its talent and resources on core competencies within its respective industry segment.

Following the closing of the transaction in early 2015, we consolidated global drilling operations and restructured our business to maximize efficiencies and advance drilling automation capabilities. That enabled us to extend utilization of the PACE®-X rig in international markets. We also deployed eight PACE®-X rigs in the U.S. Lower 48 and three larger rigs to Saudi Arabia.

"We will continue to strengthen our drilling performance through the use of technology and automation."

As a result of streamlining our organization, we meaningfully reduced operating costs, overhead and capital expenditures. We worked with customers and suppliers to adjust pricing. We conducted a voluntary severance program and significantly reduced headcount across all business lines, including corporate. Compared to 2014, capital spending was reduced by approximately $900 million and administrative costs decreased approximately 20 percent.* These efforts made us leaner, more focused, and better prepared to navigate the downturn and emerge as a stronger entity.

Additionally, we took steps to improve liquidity by expanding our revolving credit facility to $2.25 billion and extending its maturity to July 2020. During late 2015, we further enhanced our ability to weather the current downturn by securing a low-interest term loan with very favorable terms.

Compared to the previous year, 2015 revenues declined 23 percent to $3.5 billion.* Demonstrating the benefit of our global presence, new rig deployments for international contracts partially offset declines in other geographic regions. Results were most impacted in our Rig Services, Canada and U.S. Lower 48 operations, where our number of active land rigs decreased 67 percent from peak levels during 2014 to December 2015. During this same period, our active rigs outside of the U.S. and Canada only decreased by approximately 10 percent.

In an effort to further differentiate ourselves through the use of technology, we consolidated various functional groups from Canrig with our directional drilling business to create Nabors Drilling Solutions (NDS). This team was formed as part of the reorganization to help us accelerate the development and implementation of surface automation tools that integrate with downhole technologies.

The first rig within our fleet equipped with our new Rigtelligent™ modular control operating system is our new, fast-moving PACE® M800 rig. This is our first rig controlled by software that integrates surface equipment and downhole tools. Using these integrated controls, the driller is now able to manage various drilling functions through intuitive applications similar to

those found on today's smartphones. This automation allows for safer, more precise and consistent operations with minimal downtime. We believe the PACE® M800 rig will soon be recognized for setting the same operational excellence performance standards as our PACE®-X rig.

As we realigned the workforce to leverage technology and reflect market conditions, we focused on engaging employees in support of our strategic objectives. We introduced our new purpose, mission, vision and values. We prudently invested in training and career development programs in an effort to retain our most highly valued employees. We celebrated our first unified Global Safety Week and set a new, best-ever safety record. Our total recordable incidence rate was 0.82, well below our target of 0.87. We reduced both the frequency and severity of incidents as we moved one step closer to our ultimate goal of zero injuries.

We also continued working toward strengthening overall corporate governance and sustainability. We published our inaugural Corporate Sustainability Report for the year ended December 31, 2014.

In the face of challenging market conditions, we demonstrated our commitment to deliver value to shareholders. We maintained our quarterly dividend, returning $69.4 million to shareholders. We repurchased Company common shares for a total aggregate amount of approximately $99.6 million through a $400 million Board-authorized share repurchase program. Similarly, from the beginning of 2015 through the first quarter of 2016, we took advantage of weaknesses in the debt market to repurchase $182 million in outstanding senior unsecured notes in open market purchases.

The existing imbalance between crude supply and demand, although only one to two percent of total consumption, continues to add to global crude inventories and negatively impact pricing. In January 2016, Brent crude pricing fell to approximately $28 per barrel, the lowest in 13 years. West Texas intermediate, the benchmark for U.S. crude, declined eighty percent compared to its 20-year high of $145.29 set in July 2008. Current pricing in April 2016, although it has improved to over $40 per barrel, still remains well below the threshold where most of our customers can generate a positive economic return.

Although the fundamentals appear to be improving, a high degree of uncertainty remains due to the macroeconomic risk factors that can impact global demand. This makes it difficult to predict the extent or duration of this cycle. I believe the market will rebalance itself during the second half of 2016; however, we expect the trajectory of a recovery to be initially tepid due to ongoing economic constraints, limited capital availability and the prolonged restoration of our customers' balance sheet health. During the latter part of the year, we expect to have better visibility on the timing and shape of recovery.

Looking beyond this current cycle, we will continue to capitalize on our global infrastructure and rig fleet by concentrating on long-term sustainable markets, such as the Middle East. The increased demand for natural gas drilling in that region creates a need for high-specification rigs. We have a competitive advantage due to our existing asset base and infrastructure.

We will continue to strengthen our drilling performance through the use of technology and automation. We plan to upgrade our global fleet by installing the new Rigtelligent™ control system on more than 200 existing AC rigs. We will also continue to prudently invest in developing new rig technologies that differentiate us from the competition and provide greater value for our customers.

The progress and performance we achieved during 2015 would not have been possible without the commitment and hard work of our employees. While we were forced to make difficult decisions to adjust our workforce to align with market conditions, our people remained committed to delivering excellence every day despite the ongoing market uncertainties. As we prepare for the recovery, this same strength, tenacity and talent of our people will enable us to continue delivering higher levels of performance and maximizing value for shareholders.

Sincerely,

Anthony G. Petrello

Anthony G. Petrello
Chairman, President and Chief Executive Officer

* In each case, excluding the impact of our historical Completion & Production Services business.

Safety is personal. That was the message behind Nabors' first Global Safety Week held in June 2015. Employees around the world participated in activities that reinforced Nabors' everyday commitment to Mission Zero: no one gets hurt, no equipment gets damaged and the environment is not harmed. During the week, each employee pledged to change one personal safety behavior in support of Mission Zero.

During 2015, Nabors extended utilization of the PACE®-X rig in international markets. We also deployed eight PACE®-X rigs in the U.S. Lower 48 and three larger rigs to Saudi Arabia.

Following the introduction of our new purpose, mission, vision and values, global employees completed training courses to learn about our vision to be the performance driller of choice and the behaviors associated with demonstrating our core values.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-32657

NABORS INDUSTRIES LTD.
(Exact name of registrant as specified in its charter)

Bermuda (State or Other Jurisdiction of Incorporation or Organization)	**980363970** (I.R.S. Employer Identification No.)
Crown House Second Floor **4 Par-la-Ville Road** **Hamilton, HM08** **Bermuda** (Address of principal executive offices)	**N/A** (Zip Code)

(441) 292-1510
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Name of each exchange on which registered
Common shares, $.001 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934: **None.**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to file such reports). YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒	Accelerated Filer ☐	Non-accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The aggregate market value of the 240,618,142 common shares held by non-affiliates of the registrant outstanding as of the last business day of our most recently completed second fiscal quarter, June 30, 2015, based on the closing price of our common shares as of such date of $14.43 per share as reported on the New York Stock Exchange, was $3,472,119,789. Common shares held by each officer and director and by each person who owns 5% or more of the outstanding common shares have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of common shares outstanding as of February 23, 2016 was 281,607,415, excluding 49,672,636 common shares held by our subsidiaries, or 331,280,051 in the aggregate.

DOCUMENTS INCORPORATED BY REFERENCE

Specified portions of the definitive Proxy
Statement to be distributed in connection with our 2016 Annual General Meeting of Shareholders (Part III).

NABORS INDUSTRIES LTD.
Form 10-K Annual Report
For the Year Ended December 31, 2015

Table of Contents

Our internet address is *www.nabors.com.* We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the “SEC”). Reference in this document to our website address does not constitute incorporation by reference of the information contained on the website into this annual report on Form 10-K. In addition, documents relating to our corporate governance (such as committee charters, governance guidelines and other internal policies) can be found on our website. The public may read and copy any material that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549 and may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site (*www.sec.gov*) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

FORWARD-LOOKING STATEMENTS

We often discuss expectations regarding our future markets, demand for our products and services, and our performance in our annual, quarterly and current reports, press releases, and other written and oral statements. Statements relating to matters that are not historical facts are “forward-looking statements” within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Exchange Act. These “forward-looking statements” are based on an analysis of currently available competitive, financial and economic data and our operating plans. They are inherently uncertain and investors should recognize that events and actual results could turn out to be significantly different from our expectations. By way of illustration, when used in this document, words such as “anticipate,” “believe,” “expect,” “plan,” “intend,” “estimate,” “project,” “will,” “should,” “could,” “may,” “predict” and similar expressions are intended to identify forward-looking statements.

Factors to consider when evaluating these forward-looking statements include, but are not limited to:

- fluctuations and volatility in worldwide prices of and demand for oil and natural gas;
- fluctuations in levels of oil and natural gas exploration and development activities;
- fluctuations in the demand for our services;
- competitive and technological changes and other developments in the oil and gas and oilfield services industries;
- changes in the market value of investments accounted for using the equity method of accounting;
- our ability to complete, and realize the expected benefits of, strategic transactions;
- the existence of operating risks inherent in the oil and gas and oilfield services industries;
- the possibility of changes in tax and other laws and regulations;
- the possibility of political or economic instability, civil disturbance, war or acts of terrorism in any of the countries in which we do business; and
- general economic conditions, including the capital and credit markets.

Our businesses depend to a large degree on the level of spending by oil and gas companies for exploration, development and production activities. Therefore, a sustained decrease in the price of oil or natural gas that has a material impact on exploration, development or production activities could also materially affect our financial position, results of operations and cash flows.

The above description of risks and uncertainties is not all-inclusive, but highlights certain factors that we believe are important for your consideration. For a more detailed description of risk factors, please refer to Part I, Item 1A.—*Risk Factors.*

Unless the context requires otherwise, references in this annual report to “we,” “us,” “our,” “the Company,” or “Nabors” mean Nabors Industries Ltd., together with our subsidiaries where the context requires, including Nabors Industries, Inc., a Delaware corporation (“Nabors Delaware”), our wholly owned subsidiary.

PART I

ITEM 1. *BUSINESS*

Overview

Nabors was formed as a Bermuda exempted company on December 11, 2001. Through predecessors and acquired entities, Nabors has been continuously operating in the drilling sector since the early 1900s. We own and operate the world's largest land-based drilling rig fleet and are a leading provider of offshore platform workover and drilling rigs in the United States and numerous international markets. As a global provider of services for land-based and offshore oil and natural gas wells, our fleet of rigs and drilling-related equipment as of December 31, 2015 includes:

- 430 actively marketed rigs for land-based drilling operations in the United States, Canada and approximately 20 other countries throughout the world; and

- 42 actively marketed rigs for offshore drilling operations in the United States and multiple international markets.

We also provide innovative drilling technology and equipment and comprehensive well-site services including engineering, transportation and disposal, construction, maintenance, well logging, directional drilling, rig instrumentation, data collection and other support services in many of the most significant oil and gas markets in the world. In addition, we manufacture and lease or sell top drives and other rig equipment.

On March 24, 2015, we completed the merger (the "Merger") of our Completion & Production Services business with C&J Energy Services, Inc. ("C&J Energy"). In the Merger and related transactions, our wholly-owned interest in our Completion & Production Services business was exchanged for cash and an equity interest in the combined entity, C&J Energy Services Ltd. ("CJES"), and is now accounted for as an unconsolidated affiliate as of the acquisition date. As a result of the Merger, we report our share of the earnings (losses) of CJES through earnings (losses) from unconsolidated affiliates in our consolidated statements of income (loss). See further discussion in Note 9—Investments in Unconsolidated Affiliates in Part II, Item 8.—Financial Statements and Supplementary Data. Prior to the Merger, our Completion & Production Services business conducted our operations involved in the completion, life-of-well maintenance and plugging and abandonment of wells in the United States and Canada. These services include stimulation, coiled-tubing, cementing, wireline, workover, well-servicing and fluids management. Since the date of the Merger, CJES has not been consolidated in our financial results. As we no longer consolidate the results of operations from our historical Completion & Production Services business, our results of operations for the years ended December 31, 2014 and 2013 are not directly comparable to the year ended December 31, 2015.

Our Drilling & Rig Services business is comprised of our global land-based and offshore drilling rig operations and other rig services, consisting of equipment manufacturing, rig instrumentation, optimization software and directional drilling services. Our Drilling & Rig Services business consists of four reportable operating segments: U.S., Canada, International and Rig Services. Through our investment in CJES, we remain engaged in the completion and production services business. CJES provides well construction, well completions, well support and other complementary oilfield services to oil and gas exploration and production companies primarily in North America.

Additional information regarding the geographic markets in which we operate and our business segments can be found in Note 21—Segment Information in Part II, Item 8.—Financial Statements and Supplementary Data.

U.S. Drilling

We operate one of the largest land-based drilling rig fleets in the United States, consisting of 177 AC rigs and 57 SCR rigs as of December 31, 2015. Our PACE®-X rig is the latest generation AC rig designed specifically for multi-well drilling on a single pad. As of December 31, 2015, we have placed 40 PACE®-X rigs into service, inclusive of 8 during fiscal year 2015. We also operate 17 platform rigs in the U.S. Gulf of Mexico. We commenced utilization of a new 4600 horsepower deepwater platform rig on a limited basis during 2015, pending full start-up of the project.

Our U.S. drilling operations contributed approximately 33% of our consolidated operating revenues for the year ended December 31, 2015, compared with approximately 32% of our consolidated operating revenues during 2014.

Canada Drilling

We operate 58 land-based drilling rigs in Canada. Our Canada drilling operations contributed approximately 4% of our consolidated operating revenues for the year ended December 31, 2015, compared with approximately 5% of our consolidated operating revenues during 2014.

International Drilling

We operate 137 land-based drilling rigs in approximately 20 countries as of December 31, 2015. We also operate 19 platforms and 6 jackup rigs in the international offshore drilling markets. Many of our rigs in our international drilling markets were designed to address the challenges inherent in specific drilling applications such as those required in the desert, remote/environmentally sensitive locations and the various shale plays. We continue to upgrade and deploy high-specification desert rigs specifically for gas drilling in the Middle East. During 2015, we deployed 3 high-specification rigs in the Middle East and 6 PACE®-X rigs in Latin America.

In May 2015, we paid $106.0 million in cash to acquire the remaining 49% equity interest in Nabors Arabia Company Limited (“Nabors Arabia”), our joint venture in Saudi Arabia, making it a wholly owned subsidiary. As a result, we consolidated the assets and liabilities of Nabors Arabia on the acquisition date based on their respective fair values. We have also consolidated the operating results of Nabors Arabia since the acquisition date and reported those results in our International drilling segment. The acquisition of the remaining interest allows us to strategically align our future growth in this market by providing additional flexibility to invest capital and pursue future investment opportunities.

Our International drilling operations contributed approximately 48% of our consolidated operating revenues for the year ended December 31, 2015, compared with approximately 24% of our consolidated operating revenues during 2014.

Rig Services

Through various subsidiaries, we manufacture and sell top drives, catwalks, wrenches, drawworks and other drilling related equipment which are installed on both onshore and offshore drilling rigs. We offer specialized drilling technologies, such as patented steering systems and rig instrumentation software systems including:

- ROCKIT® directional drilling system, which is used to provide data collection services to oil and gas exploration and service companies, and
- RIGWATCH® software, which is computerized software and equipment that monitors a rig’s real-time performance and daily reporting for drilling operations, making this data available through the internet.

We have engaged in a number of acquisitions with the specific goal of developing projects that enhance our drilling-related service offerings. See — “Acquisitions and Divestitures”.

Our Rig Services operations contributed approximately 6% of our consolidated operating revenues for the year ended December 31, 2015, compared with approximately 6% of our consolidated operating revenues during 2014.

Drilling Contracts

Our drilling contracts are typically daywork contracts. A daywork contract generally provides for a basic rate per day when drilling (the dayrate for our providing a rig and crew) and for lower rates when the rig is moving between drilling locations, or when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other conditions beyond our control. In addition, daywork contracts may provide for a lump-sum fee for the mobilization and demobilization of the rig, which in most cases approximates our anticipated costs. A daywork contract differs from a footage contract (in which the drilling contractor is paid on the basis of a rate per foot drilled) and a turnkey contract (in which the drilling contractor is paid for drilling a well to a specified depth for a fixed price).

Our contracts for land-based and offshore drilling have durations that are single-well, multi-well or term. Term contracts generally have durations ranging from six months to five years. Under term contracts, our rigs are committed to one customer. Offshore workover projects are often contracted on a single-well basis. We generally receive drilling contracts through competitive bidding, although we occasionally enter into contracts by direct negotiation. Most of our single-well contracts are subject to termination by the customer on short notice, while multi-well contracts and term contracts may provide us with early termination compensation in certain circumstances. Such payments may not fully compensate us for the loss of a contract, and in certain circumstances the customer may not be obligated, able or willing to make an early termination payment to us. Contract terms and rates differ depending on a variety of factors, including competitive conditions, the geographical area, the geological formation to be drilled, the equipment and services to be supplied, the on-site drilling conditions and the anticipated duration of the work to be performed. In addition, throughout 2015, we experienced downward pricing-pressure and demand for our drilling services from existing customers in light of the industry conditions and, as a result, renegotiated pricing and other terms in our drilling contracts with certain customers. See Part 1A.—Risk Factors—*Fluctuations in oil and natural gas prices could adversely affect drilling activity and our revenues, cash flows and profitability* and *Our drilling contracts may in certain instances be renegotiated, suspended or terminated without an early termination payment.*

Rig Activity and Utilization

The following table presents our rig years (a measure of activity and utilization) and average utilization rates for the year ended December 31, 2015:

	Rig Years	Average Utilization
Drilling & Rig Services:		
U.S.	120.0	41%
Canada	16.7	25%
International	124.0	79%
	260.7	50%

Our Customers

Our customers include major, national and independent oil and gas companies. One customer, Saudi Arabian Oil Company, accounted for approximately 12% of our consolidated operating revenues during the year ended December 31, 2015, as a result of our acquisition of the remaining interest in Nabors Arabia and our consolidation of Nabors Arabia's results of operations. No customer accounted for more than 10% of our consolidated operating revenues during the years ended December 31, 2014 and 2013.

Our Employees

As of December 31, 2015, we employed approximately 13,500 people operating in approximately 30 countries. Our number of employees fluctuates depending on the current and expected demand for our services. Some rig-based employees in Alaska, Argentina, Mexico and Australia are represented by collective bargaining units. We believe our relationship with our employees is generally good.

Seasonality

Our operations are subject to seasonal factors. Specifically, our drilling and workover operations in Canada and Alaska generally experience reduced levels of activity and financial results during the second quarter of each year, due to the annual spring thaw. In addition, our U.S. offshore market can be impacted during summer months by tropical weather systems in the Gulf of Mexico. Global climate change could lengthen these periods of reduced activity, but we cannot currently estimate to what degree. Our overall financial results reflect the seasonal variations experienced in these operations, but seasonality does not materially impact the remaining portions of our business.

Research and Engineering

Research and engineering continues to be an important part of our overall business. During 2015, we spent approximately $41.3 million on research and engineering activities. The effective use of technology is critical to maintaining our competitive position within the drilling industry. We expect to continue developing technology internally and acquiring technology through strategic acquisitions.

Industry/Competitive Conditions

To a large degree, our businesses depend on the level of capital spending by oil and gas companies for exploration, development and production activities. The level of exploration, development and production activities is to a large extent tied to the prices of oil and natural gas, which can fluctuate significantly and are highly volatile. Since the second half of 2014, the oil and gas industry has experienced a significant decline as a result of decreasing oil and natural gas prices, resulting in a reduction of exploration, development and production activities of our customers. The level of activity in the sector remains suppressed into 2016. A continued decrease or further prolonged decline in the price of oil or natural gas or in the exploration, development and production activities of our customers could result in a corresponding decline in the demand for our services and/or a reduction in dayrates and utilization, which could have a material adverse effect on our financial position, results of operations and cash flows. See Part I, Item 1A.—Risk Factors—*Fluctuations in oil and natural gas prices could adversely affect drilling activity and our revenues, cash flows and profitability* and Item 7.— Management's Discussion and Analysis of Financial Condition and Results of Operations.

The markets in which we provide our services are highly competitive. We provide our drilling and rig services in the United States, Canada and approximately 20 countries throughout the world. We believe that competitive pricing is a significant factor in determining which service provider is awarded a job in these markets and customers are increasingly sensitive to price during periods of market instability. Historically, the number of available rigs and drilling-related equipment has exceeded demand in many of the markets in which we operate, resulting in strong price competition. This is due in part to the fact that most rigs and drilling-related equipment can be readily moved from one region to another in response to changes in the levels of exploration, development and production activities and market conditions, which may result in an oversupply of rigs and drilling-related equipment in certain areas.

In late 2014, falling oil prices forced a curtailment of drilling-related expenditures by many companies and resulted in an oversupply of rigs in the markets where we operate. During 2015, this continued decline in drilling and related activity impacted our key markets. Although many rigs can be readily moved from one region to another in response to changes in levels of activity and many of the total available contracts are currently awarded on a bid basis, competition has increased based on the supply of existing and new rigs across all of our markets. Most available contracts for our services are currently awarded on a bid basis, which further increases competition based on price.

In addition to price, other competitive factors in the markets we serve are the overall quality of service and safety record, the technical specification and condition of equipment, the availability of skilled personnel and the ability to offer ancillary services. Our drilling business is subject to certain additional competitive factors. For example, our ability to deliver rigs with new technology and features and, in certain international markets, our experience operating in certain environments and strong customer relationships have been significant factors in the selection of Nabors for the provision of drilling services. We expect that the market for our drilling services will continue to be highly competitive. See Part I, Item 1A.—Risk Factors—*We operate in a highly competitive industry with excess drilling capacity, which may adversely affect our results of operations.*

Certain competitors are present in more than one of the markets in which we operate, although no one competitor operates in all such markets. We compete with (1) Helmerich & Payne, Inc., Patterson-UTI Energy, Inc. and several other competitors with national, regional or local rig operations in the United States, (2) Saipem S.p.A, KCA Deutag, and Weatherford International Ltd. and various contractors in our international markets and (3) Precision Drilling, Ensign Energy Services, and others in Canada.

Our Business Strategy

Our business strategy is to build shareholder value and enhance our competitive position by:

- leveraging our existing global infrastructure and operating reputation to capitalize on growth opportunities;
- achieving superior operational and health, safety and environmental performance;
- continuing to develop our existing portfolio of value-added services to our customers;
- enhancing our technology position and advancing drilling technology both on the rig and downhole; and
- achieving returns above our cost of capital.

As a result of the Merger, we are now a pure-play provider of drilling and rig services and are able to streamline our business to sharpen our focus on our core business of drilling and rig services. We continue to leverage the completion and production services business through our equity method investment in CJES and are committed to enhancing shareholder value through this investment.

During 2015, we made significant progress in expanding our technology portfolio. Our technological development efforts are focused on advanced rig designs with emphasis on automation of the drilling floor, a suite of downhole measurement and sensing tools and the seamless integration of the rig's operations with downhole sensing. In addition, we are adding complementary services to our traditional rig offering and in many cases replacing third parties. These efforts support our strategy to differentiate our drilling services, and ultimately reduce our customers' unit costs, through advanced drilling technology.

Additionally, in the Lower 48 market, we commenced the formal rollout of a suite of related services — including BOP testing, drillpipe rental and casing running services — which complement our core drilling activities. These services represent an opportunity to increase our revenue per rig, generally with minimal incremental investment. Moreover, since our rig crews provide the services, our incremental cost is generally lower than the costs incurred by existing third-party service providers.

Acquisitions and Divestitures

We have grown from a land drilling business centered in the U.S. lower 48 states, Canada and Alaska to an international business with operations on land and offshore in most of the major oil and gas markets in the world. At the beginning of 1990, our fleet consisted of 44 actively marketed land drilling rigs in Canada, Alaska and in various international markets. Today, our worldwide fleet of actively marketed rigs consists of 430 land drilling rigs, 36 offshore platform rigs and 6 jackup units. This growth was fueled in part by strategic acquisitions. Although we continue to examine opportunities, including acquisitions, divestitures and other strategic transactions, there can be no assurance that such opportunities will continue to be available, that the pricing will be economical or that we will be successful in completing and realizing the expected benefits of such transactions in the future.

As noted above, we may sell a subsidiary or group of assets outside of our core markets or business if it is strategically or economically advantageous for us to do so.

In addition to the Merger, we undertook the following transactions over the last three years. These transactions have allowed us to streamline our business to become a pure-play driller.

Acquisitions

In January 2013, we purchased the business of Navigate Energy Services, Inc. (“NES”) for a total cash price of approximately $37.5 million. This acquisition expanded our technology and development capability for drilling and measurement tools and services, and is included in our Rig Services operating segment.

In October 2013, we purchased KVS Transportation, Inc. and D&D Equipment Investments, LLC, (collectively, “KVS”) for total consideration of $149.0 million. KVS provides various logistics and support services operating in the oilfield and well-servicing industry. Services are provided by tractor trucks, bobtail trucks, winch trucks, other truck types, trailers, container bins, eyewash stations, various types of tanks, shop equipment and other related support equipment. This acquisition expanded our truck fleet, vacuum truck services, tank and related equipment services and was included in our Production Services operating segment for the periods subsequent to the acquisition date until the date of the Merger.

In October 2014, we purchased the outstanding shares of 2TD Drilling AS (“2TD”), a drilling technology company based out of Norway. 2TD is in the process of developing a rotary steerable system for directional drilling which, once developed, will be included in our Rig Services operating segment. Under the terms of the transaction, we paid an initial amount of $40.3 million for the purchase of the shares. We may also be required to make future payments of up to an additional $40.0 million, contingent on the achievement of various milestone objectives.

In May 2015, we paid $106.0 million in cash to acquire the remaining 49% equity interest in Nabors Arabia, our joint venture in Saudi Arabia, making it a wholly owned subsidiary. Previously, we held a 51% equity interest with a carrying value of $44.7 million, and we had accounted for the joint venture as an equity method investment. The acquisition of the remaining interest allows us to strategically align our future growth in this market by providing additional flexibility to invest capital and pursue future investment opportunities. As a result, we consolidated the assets and liabilities of Nabors Arabia on the acquisition date based on their respective fair values. We have also consolidated the operating results of Nabors Arabia since the acquisition date and reported those results in our International drilling segment.

Divestitures

In 2013, we sold the assets of one of our former Canadian subsidiaries that provided logistics services for proceeds of $9.3 million. In addition, we sold Peak Oilfield Service Company (“Peak”), one of our businesses in Alaska, for gross cash proceeds of $135.5 million. We also sold some of our oil and gas assets and received proceeds of approximately $90.0 million.

In 2014, we sold a large portion of our interest in our oil and gas proved properties located on the North Slope of Alaska. Under the terms of the agreement, we received $35.1 million at closing and expect to receive additional payments of $27.0 million upon certain future dates or the properties achieving certain production targets. We retained both a working interest and an overriding royalty interest in the properties at various interests. The working interest is fully carried up to $600 million of total project costs.

See Note 4—Assets Held for Sale and Discontinued Operations for additional discussion in Part II, Item 8.—Financial Statements and Supplementary Data.

Environmental Compliance

We do not anticipate that compliance with currently applicable environmental regulations and controls will significantly change our competitive position, capital spending or earnings during 2016. We believe we are in material compliance with applicable environmental rules and regulations and that the cost of such compliance is not material to our business or financial condition. For a more detailed description of the environmental laws and regulations applicable to our operations, see Part I, Item 1A.—Risk Factors—*Changes to or noncompliance with governmental regulation or exposure to environmental liabilities could adversely affect our results of operations.*

ITEM 1A. *RISK FACTORS*

In addition to the other information set forth elsewhere in this annual report, the following factors should be carefully considered when evaluating Nabors. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

Our business, financial condition or results of operations could be materially adversely affected by any of these risks.

Fluctuations in oil and natural gas prices could adversely affect drilling activity and our revenues, cash flows and profitability

Our operations depend on the level of spending by oil and gas companies for exploration, development and production activities. Both short-term and long-term trends in oil and natural gas prices affect these activity levels. Oil and natural gas prices, as well as the level of drilling, exploration and production activity, can be highly volatile. For example, oil prices were as high as $107 per barrel during 2014 and were as low as $35 per barrel during 2015. Subsequent to year end, oil prices have continued to decline reaching a low of $26.21 per barrel on February 11, 2016. The decrease in oil prices has been caused by, among other things, an oversupply of crude oil and stagnant demand. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, affect both the supply of and demand for oil and natural gas. In addition, weather conditions, governmental regulation (both in the United States and elsewhere), levels of consumer demand for oil and natural gas, the availability and demand for drilling equipment and pipeline capacity, and other factors beyond our control may also affect the supply of and demand for oil and natural gas. As a result of the sustained reduction in the price of oil, the level of drilling, exploration and production activity declined in 2015, resulting in a corresponding decline in the demand for our drilling services and/or a reduction in our dayrates and rig utilization. Accordingly, the continuation of lower oil and natural gas prices or the further decline in such prices could have an adverse effect on our revenues, cash flows and profitability.

A prolonged period of lower oil and natural gas prices could also adversely impact our cash forecast models used to determine whether the carrying value of our long-lived assets exceed our future cash flows, which could result in future impairment to our long-lived assets. A continuation of lower oil and natural gas prices could also affect our ability to retain skilled rig personnel and affect our ability to access capital to finance and grow our business. There can be no assurances as to the future level of demand for our services or future conditions in the oil and natural gas and oilfield services industries.

Our business and profitability could be adversely affected by turmoil in the global economy

Changes in general economic and political conditions may negatively impact our business, financial condition, results of operations and cash flows. As a result of the volatility of oil and natural gas prices and the depressed economic environment, we are unable to predict the level of exploration, drilling and production activities of our customers and whether our customers and/or vendors will be able to sustain their operations and fulfill their commitments and obligations. If oil prices remain low and/or global economic conditions remain tepid or deteriorate in the future, there could be a material adverse impact on the liquidity and operations of our customers, vendors and other worldwide business partners, which in turn could have a material impact on our results of operations and liquidity. Furthermore, these conditions may result in certain of our customers experiencing an inability to pay vendors, including us. In addition, we may experience difficulties forecasting future capital expenditures by our customers, which in turn could lead to either over capacity or, in the case of a recovery in oil prices and the world wide economy, undercapacity, either of which could adversely affect our operations. There can be no assurance that the global economic environment will not deteriorate again in the future due to one or more factors.

We operate in a highly competitive industry with excess drilling capacity, which may adversely affect our results of operations

The oilfield services industry is very competitive. Contract drilling companies compete primarily on a regional basis, and competition may vary significantly from region to region at any particular time. Most rigs and drilling-related equipment can be moved from one region to another in response to changes in levels of activity and market conditions, which may result in an oversupply of such rigs and drilling-related equipment in certain areas, and accordingly, increased price competition, as we have observed over the past year in certain markets. In addition, in recent years, the ability to deliver rigs with new technology and features has become an important factor in determining job awards. Our customers are increasingly demanding the services of newer, higher specification drilling rigs, which requires continued technological developments and increased capital expenditures, and our competitors may be able to respond more quickly to new or emerging technologies and services and changes in customer requirements for equipment. New technologies, services or standards could render some of our services, drilling rigs or equipment obsolete. Another key factor in job award determinations is our ability to maintain a strong safety record. As a result of these and other competitive factors, we may be unable to maintain or increase our market share, utilization rates and/or day rates for our services, which could adversely affect our business, financial condition, results of operations and cash flows.

In addition, we have a number of customer contracts that will expire in 2016. Our ability to renew these contracts or obtain new contracts and the terms of any such contracts will depend on market conditions and our customers' future drilling plans, which are subject to change. For example, during 2015, a number of oil and gas companies, including some of our customers, publicly announced significant reductions in their planned exploration and development spending. Due to the highly competitive nature of the industry, which can be exacerbated during periods of depressed market conditions, such as the one we are currently experiencing, we may not be able to renew or replace expiring contracts or, if we are able to, we may not be able to secure or improve existing day rates or other material terms, which could have an adverse effect on our business, financial condition and results of operations.

The nature of our operations presents inherent risks of loss that could adversely affect our results of operations

Our operations are subject to many hazards inherent in the drilling and workover industries, including blowouts, cratering, explosions, fires, loss of well control, loss of or damage to the wellbore or underground reservoir, damaged or lost drilling equipment and damage or loss from inclement weather or natural disasters. Any of these hazards could result in personal injury or death, damage to or destruction of equipment and facilities, suspension of operations, environmental and natural resources damage and damage to the property of others. Our offshore operations involve the additional hazards of marine operations including capsizing, grounding, collision, damage from hurricanes and heavy weather or sea conditions and unsound ocean bottom conditions. Our operations are also subject to risks of war, civil disturbances or other political events.

Accidents may occur, we may be unable to obtain desired contractual indemnities, and our insurance may prove inadequate in certain cases. The occurrence of an event not fully insured or indemnified against, or the failure or inability of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses that could adversely affect our business, financial condition and liquidity. In addition, insurance may not be available to cover any or all of these risks. Even if available, insurance may be inadequate or insurance premiums or other costs may increase significantly in the future making insurance prohibitively expensive. We expect to continue facing upward pressure in our insurance renewals; our premiums and deductibles may be higher, and some insurance coverage may either be unavailable or more expensive than it has been in the past. Moreover, our insurance coverage generally provides that we assume a portion of the risk in the form of a deductible or self-insured retention. We may choose to increase the levels of deductibles (and thus assume a greater degree of risk) from time to time in order to minimize our overall costs, which could exacerbate the impact of our losses on our financial condition and liquidity.

Our drilling contracts may in certain instances be renegotiated, suspended or terminated without an early termination payment

Most of our multi-well and term drilling contracts require that an early termination payment be made to us if a contract is terminated by the customer prior to its expiration. However, such payments may not fully compensate us for the loss of a contract, and in certain circumstances, such as, but not limited to, non-performance caused by significant operational or equipment issues (such as destruction of a drilling rig that is not replaced within a specified period of time), sustained periods of downtime due to a force majeure event or other events beyond our control or some other breach of our contractual obligations, our customer may not be obligated to make an early termination payment to us at all. In addition, some contracts may be suspended, rather than terminated early, for an extended period of time, in some cases without adequate compensation. The early termination or suspension of a contract may result in a rig being idle for an extended period of time, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, during periods of depressed market conditions, such as the one we are currently experiencing and which we expect to continue in 2016, we may be subject to an increased risk of our customers (including government-controlled entities) seeking to renegotiate, repudiate or terminate their contracts and/or to otherwise exert commercial influence to our disadvantage. During 2015, we experienced downward pricing pressure and decreased demand for our drilling services with existing customers, resulting in renegotiations of pricing and other terms in our drilling contracts with certain customers. Our customers' ability to perform their obligations under the contract, including their ability to pay us or fulfill their indemnity obligations, may also be impacted by an economic or industry downturn or other adverse conditions in the oil and gas industry. If we were to sustain a loss and our customers were unable to honor its indemnification obligation and/or payment, it could adversely affect our liquidity. If our customers cancel some of our contracts, and we are unable to secure new contracts on a timely basis and/or on substantially similar terms — which may prove difficult during a depressed market — or if contracts are suspended for an extended period of time with or without adequate compensation or renegotiated with pricing or other terms less favorable to us, it could adversely affect our financial condition and results of operations.

Our investment in CJES may lose significant value due to a decline in equity prices and other market-related risks

We account for our investment in CJES using the equity method of accounting. Under the equity method of accounting we would generally increase or decrease the value of our investment based on our allocable share of the net income (loss) of CJES. However, CJES's common shares are publicly traded on the NYSE, and a sustained decrease in the market price of these shares could result in future impairment of our investment. CJES and its common shares are subject to a wide variety of market-related risks, including, but not limited to, a decrease in the demand for service as a result of depressed oil and gas prices, the realization of any of which could cause a decrease in the trading price of those common shares, which in turn could cause us to recognize an impairment of our investment. During the year ended December 31, 2015, we determined the carrying value of our investment was other than temporarily impaired which resulted in an impairment charge of $180.6 million. As of the date of this annual report, the market price of CJES is trading below our carrying value. Should it remain at these levels for an extended period of time, it could result in a future other-than-temporary impairment.

We may record additional losses or impairment charges related to sold or idle rigs

In 2015, we recognized impairment charges of $118.1 million related to tangible assets and equipment. Prolonged periods of low utilization or low dayrates, the cold stacking of idle assets, the sale of assets below their then carrying value or the decline in market value of our assets may cause us to experience further losses. If future cash flow estimates, based upon information available to management at the time, including oil and gas prices and expected utilization levels, indicate that the carrying value of any of our rigs may not be recoverable or if we sell assets for less than their then carrying value, we may recognize additional impairment charges on our fleet.

The loss of one or a number of our large customers could have a material adverse effect on our business, financial condition and results of operations

In 2015, we received approximately 26% percent of our consolidated operating revenues from our three largest contract drilling customers (including their affiliates).

The loss of one or more of our larger customers could have a material adverse effect on our business, financial condition and results of operations.

The profitability of our operations could be adversely affected by war, civil disturbance, terrorist activity or other political or economic instability, fluctuation in currency exchange rates and local import and export controls

We derive a significant portion of our business from global markets, including major operations in Canada, South America, Mexico, the Middle East, the Far East, the South Pacific, Russia and Africa. These operations are subject to various risks, including war, civil disturbances, political or economic instability, terrorist activity and governmental actions that may limit or disrupt markets, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property without fair compensation. In some countries, our operations may be subject to the additional risk of fluctuating currency values and exchange controls. We are also subject to various laws and regulations that govern the operation and taxation of our business and the import and export of our equipment from country to country, the imposition, application and interpretation of which can prove to be uncertain. To the extent that any of these risks arising from our operations in global markets are realized, it could have a material adverse effect on our business, financial condition and results of operations.

Our financial and operating flexibility could be affected by our long-term debt and other financial commitments

As of December 31, 2015, we had approximately $3.7 billion in outstanding debt. We also have various financial commitments, such as leases, firm transportation and processing, contracts and purchase commitments. Our ability to service our debt and other financial obligations depends in large part upon the level of cash flows generated by our operating subsidiaries' operations, our ability to monetize and/or divest non-core assets, availability under our unsecured revolving credit facility and our ability to access the capital markets and/or other sources of financing. If we cannot repay or refinance our debt as it becomes due, we may be forced to sell assets or reduce funding in the future for working capital, capital expenditures and general corporate purposes.

Our ability to access capital markets could be limited

From time to time, we may need to access capital markets to obtain long-term and short-term financing. However, our ability to access capital markets for long-term financing could be limited by, among other things, oil and gas prices, our existing capital structure, our credit ratings and the health of the drilling and overall oil and gas industry and the global economy. In addition, many of the factors that affect our ability to access capital markets, such as the liquidity of the overall capital markets and the state of the economy and oil and gas industry, are outside of our control. No assurance can be given that we will be able to access capital markets on terms acceptable to us when required to do so, which could adversely affect our business.

A downgrade in our credit rating could negatively impact our cost of and ability to access capital markets or other financing sources

Our ability to access capital markets or to otherwise obtain sufficient financing is enhanced by our senior unsecured debt ratings as provided by the major U.S. credit rating agencies. Factors that may impact our credit ratings include debt levels, the level of adjusted EBITDA, asset purchases or sales, and near-term and long-term growth opportunities. Liquidity, asset quality, cost structure, market diversity, and commodity pricing levels and others are also considered by the rating agencies. A ratings downgrade could adversely impact our ability to access capital markets or other financing sources in the future, increase the cost of future debt, and potentially require us to post letters of credit for certain obligations, any of which could adversely affect our financial condition, results of operations and cash flows.

As a holding company, we depend on our operating subsidiaries and investments to meet our financial obligations

We are a holding company with no significant assets other than the stock of our operating subsidiaries and investment in unconsolidated affiliates, including CJES. In order to meet our financial needs, we rely exclusively on repayments of interest and principal on intercompany loans that we have made to our operating subsidiaries and income from dividends and other cash flows from our operating subsidiaries. There can be no assurance that our operating subsidiaries will generate sufficient net income to pay us dividends or sufficient cash flows to make payments of interest and principal to us. In addition, from time to time, our operating subsidiaries may enter into financing arrangements or be made subject to laws or regulations that restrict or prohibit these types of upstream payments. In addition, the ability of our equity method investees to make distributions on their stock is subject to their ability to generate cash flow, restrictions in their credit facilities and other indebtedness and applicable law. There can also be adverse tax consequences associated with our subsidiaries and equity method investees paying dividends to us.

We may be subject to changes in tax laws and have additional tax liabilities

We operate through various subsidiaries in numerous countries throughout the world. Consequently, we are subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in the United States or jurisdictions in which we or any of our subsidiaries operate or are incorporated. Furthermore, the Organization for Economic Co-Operation and Development ("OECD") published a Base Erosion and Profit Shifting Action Plan in July 2013, seeking to reform the taxation of multinational companies. The recommendations made by the OECD may result in unilateral, uncoordinated changes in tax laws in the countries in which we operate or are incorporated, which may result in double taxation or otherwise increase our tax liabilities which in turn could have a material adverse effect on our financial condition and results of operations.

Tax laws, treaties and regulations are highly complex and subject to interpretation. Our income tax expense is based upon our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. If these tax laws, treaties or regulations change or any tax authority successfully challenges our assessment of the effects of such laws, treaties and regulations in any country, including our operational structure, intercompany pricing policies or the taxable presence of our subsidiaries in certain countries, this could have a material adverse effect on us, resulting in a higher effective tax rate on our consolidated earnings or a reclassification of the tax impact of our significant corporate restructuring transactions.

Changes to or noncompliance with governmental regulation or exposure to environmental liabilities could adversely affect our results of operations

Drilling of oil and gas wells is subject to various laws, rules and regulations in the jurisdictions where we operate. Our cost of compliance with these laws may be substantial. For example, the U.S. Environmental Protection Agency ("EPA") has promulgated rules requiring the reporting of greenhouse gas emissions applicable to certain offshore oil and natural gas production and onshore oil and natural gas production, processing, transmission, storage and distribution facilities. In August 2015, the EPA proposed standards to reduce methane emissions in the oil and gas industry. In addition, U.S. federal law strictly regulates the prevention of oil spills and the release of hazardous substances, and imposes liability for removal costs and natural resource, real or personal property and certain economic damages arising from any spills. Some of these laws may impose strict and/or joint and several liability for clean-up costs and damages without regard to the conduct of the parties. As an owner and operator of onshore and offshore rigs and other equipment, we may be deemed to be a responsible party under federal law. In addition, we are subject to various laws governing the containment and disposal of hazardous substances, oilfield waste and other waste materials and the use of underground storage tanks.

Changes in environmental laws may also negatively impact the operations of oil and natural gas exploration and production companies, which in turn could have an adverse effect on us. For example, legislation has been proposed from time to time in the U.S. Congress that would reclassify some oil and natural gas production wastes as hazardous wastes under the Resources Conservation and Recovery Act, which would make the reclassified wastes subject to more stringent and costly handling, disposal and clean-up requirements. In addition, the Outer Continental Shelf Lands Act provides the federal government with broad discretion in regulating the leasing of offshore oil and gas production sites. Legislators and regulators in the United States and other jurisdictions where we operate also focus increasingly on restricting the emission of carbon dioxide, methane and other greenhouse gases that may contribute to warming of the Earth's atmosphere, and other climatic changes. The U.S. Congress has considered legislation designed to reduce emission of greenhouse gases, and some states in which we operate have passed legislation or adopted initiatives, such as the Regional Greenhouse Gas Initiative in the northeastern United States and the Western Regional Climate Action Initiative, which establish greenhouse gas inventories and/or cap-and-trade programs. Some international initiatives have been or may be adopted, which could result in increased costs of operations in covered jurisdictions. In addition, the EPA has published findings that emissions of greenhouse gases present an endangerment to public health and the environment, which may lead to further regulations of greenhouse gases emissions under existing provisions of the Clean Air Act. The EPA has already issued rules requiring monitoring and reporting of greenhouse gas emissions from oil and natural gas sector. Future or more stringent regulation could dramatically increase operating costs for oil and natural gas companies and could reduce the market for our services by making wells and/or oilfields uneconomical to operate.

The expansion of the scope of laws protecting the environment has accelerated in recent years, particularly outside the United States, and we expect this trend to continue. Violation of environmental laws could lead to the imposition of administrative, civil or criminal penalties, remedial obligations, and in some cases injunctive relief. Violations may also result in liabilities for personal injuries, property and natural resource damage and other costs and claims. We are not always successful in allocating all risks of these environmental liabilities to customers, and it is possible that customers who assume the risks will be financially unable to bear any resulting costs.

We rely on third-party suppliers, manufacturers and service providers to secure equipment, components and parts used in rig operations, conversions, upgrades and construction

Our reliance on third-party suppliers, manufacturers and service providers to provide equipment and services exposes us to volatility in the quality, price and availability of such items. Certain components, parts and equipment that we use in our operations may be available only from a small number of suppliers, manufacturers or service providers. The failure of one or more third-party suppliers, manufacturers or service providers to provide equipment, components, parts or services, whether due to capacity constraints, production or delivery disruptions, price increases, quality control issues, recalls or other decreased availability of parts and equipment, is beyond our control and could materially disrupt our operations or result in the delay, renegotiation or cancellation of drilling contracts, thereby causing a loss of contract drilling backlog and/or revenue to us, as well as an increase in operating costs.

Additionally, our suppliers, manufacturers and service providers could be negatively impacted by current industry conditions or global economic conditions. If certain of our suppliers, manufacturers or service providers were to curtail or discontinue their business as a result of such conditions, it could result in a reduction or interruption in supplies or equipment available to us and/or a significant increase in the price of such supplies and equipment, which could adversely impact our business, financial condition and results of operations.

Any violation of the Foreign Corrupt Practices Act or any other similar anti-corruption laws could have a negative impact on us

A significant portion of our revenue is derived from operations outside the United States, which exposes us to complex foreign and U.S. regulations inherent in doing cross-border business and in each of the countries in which we transact business. We are subject to compliance with the United States Foreign Corrupt Practices Act ("FCPA") and other similar anti-corruption laws, which generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. While our employees and agents are required to comply with these laws, and we have adopted policies and procedures and related training meant to ensure compliance, we cannot be sure that our internal policies and procedures will always protect us from violations of these laws, despite our commitment to legal compliance and corporate ethics. Violations of these laws may result in severe criminal and civil sanctions as well as other penalties, and the SEC and U.S. Department of Justice have continued to focus on enforcement activities with respect to the FCPA. The occurrence or allegation of these types of risks may adversely affect our business, financial condition and results of operations.

Provisions in our organizational documents may be insufficient to thwart a coercive hostile takeover attempt; conversely, they may deter a change of control transaction and decrease the likelihood of a shareholder receiving a change of control premium

Companies generally seek to prevent coercive takeovers by parties unwilling to pay fair value for the enterprise they acquire. Historically, we have sought to avoid a coercive takeover by:

- Classifying our Board of Directors ("Board") so that all the directors could not be replaced at a single meeting;
- Authorizing the Board to issue a significant number of common shares and up to 25,000,000 preferred shares, as well as to determine the price, rights (including voting rights), conversion ratios, preferences and privileges of the preferred shares, in each case without any vote or action by the holders of our common shares;
- Adopting a shareholder rights plan that limits the number of shares of our common stock a potential acquiror can purchase without either securing the approval of our Board or having their voting interest severely diluted. The plan is scheduled to expire in July 2016 unless it is extended;
- Limiting the ability of our shareholders to call or bring business before special meetings;
- Prohibiting our shareholders from taking action by written consent in lieu of a meeting unless the consent is signed by all the shareholders then entitled to vote;
- Requiring advance notice of shareholder proposals for business to be conducted at general meetings and for nomination of candidates for election to our Board; and
- Reserving to our Board the ability to determine the number of directors comprising the full Board and to fill vacancies or newly created seats on the Board.

At the request of shareholders, we declassified the Board, which makes it easier for another party to acquire control of the Company. The remaining provisions designed to avoid a coercive takeover may not be fully effective so that a party may still be able to acquire the Company without paying what the Board considers to be fair value, including a control premium. Conversely, such provisions could discourage a would-be acquiror and thus reduce the likelihood that shareholders would receive a premium for their shares in a takeover.

Legal proceedings and governmental investigations could affect our financial condition and results of operations

We are subject to legal proceedings and governmental investigations from time to time that include employment, tort, intellectual property and other claims, and purported class action and shareholder derivative actions. We are also subject to complaints and allegations from former, current or prospective employees from time to time, alleging violations of employment-related laws or other whistle blower-related matters. Lawsuits or claims could result in decisions against us that could have an adverse effect on our financial condition or results of operations. See Item 3—Legal Proceedings for a discussion of certain existing legal proceedings.

The loss of key executives or inability to attract and retain experienced technical personnel could reduce our competitiveness and harm prospects for future success

The successful execution of our business strategies will depend, in part, on the continued service of certain key executive officers. We have employment agreements with some of our key personnel within the company, but no assurance can be given that any employee will remain with us, whether or not they have entered into an employment agreement with us. We do not carry key man insurance. In addition, our operations depend, in part, on our ability to attract and retain experienced technical professionals. Competition for such professionals is intense. The loss of key executive officers and/or our inability to retain or attract experienced technical personnel, could reduce our competitiveness and harm prospects for future success, which may adversely affect our business, financial condition and results of operations.

Failure to realize the anticipated benefits of acquisitions, divestitures and other strategic transactions may adversely affect our business, results of operations and financial position

We undertake from time to time acquisitions, divestitures and other strategic transactions that we expect to further our business objectives. The anticipated benefits of such transactions may not be realized, or may be realized more slowly than expected, and may result in operational and financial consequences, including, but not limited to, the loss of key customers, suppliers or employees and significant transactional expenses, which may have an adverse effect on our business, financial condition and results of operations.

Our business is subject to cybersecurity risks

Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. Risks associated with these threats include, among other things, loss of intellectual property, disruption of our and customers' business operations and safety procedures, loss or damage to our worksite data delivery systems, and increased costs to prevent, respond to or mitigate cybersecurity events. Although we utilize various procedures and controls to mitigate our exposure to such risk, cybersecurity attacks are evolving and unpredictable. The occurrence of such an attack could go unnoticed for a period time. Any such attack could have a material adverse effect on our business, financial condition and results of operations.

Significant exercises of stock options could adversely affect the market price of our common shares

As of February 23, 2016, we had 800,000,000 authorized common shares, of which 331,280,051 shares were outstanding and entitled to vote. In addition, 12,297,499 common shares were reserved for issuance pursuant to stock option and employee benefit plans. The sale, or availability for sale, of substantial amounts of our common shares in the public market, whether directly by us or resulting from the exercise of options (and, where applicable, sales pursuant to Rule 144 under the Securities Act), would be dilutive to existing security holders, could adversely affect the prevailing market price of our common shares and could impair our ability to raise additional capital through the sale of equity securities.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

Not applicable.

ITEM 2. *PROPERTIES*

Nabors' principal executive offices are located in Hamilton, Bermuda. We own or lease executive and administrative office space in Dubai in the United Arab Emirates; Anchorage, Alaska; Calgary, Canada; and Houston, Texas.

Many of the international drilling rigs and some of the Alaska rigs in our fleet are supported by mobile camps which house the drilling crews and a significant inventory of spare parts and supplies. In addition, we own various trucks, forklifts, cranes, earth-moving and other construction and transportation equipment, which are used to support our operations. We also own or lease a number of facilities and storage yards used in support of operations in each of our geographic markets.

We own certain mineral interests in connection with our investment in development and production of natural gas, oil and natural gas liquids in the United States and the province of British Columbia, Canada.

ITEM 3. ***LEGAL PROCEEDINGS***

Nabors and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. We estimate the range of our liability related to pending litigation when we believe the amount and range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, we record the minimum estimated liability related to the lawsuits or claims. As additional information becomes available, we assess the potential liability related to our pending litigation and claims and revise our estimates. Due to uncertainties related to the resolution of lawsuits and claims, the ultimate outcome may differ from our estimates. For matters where an unfavorable outcome is reasonably possible and significant, we disclose the nature of the matter and a range of potential exposure, unless an estimate cannot be made at the time of disclosure. In the opinion of management and based on liability accruals provided, our ultimate exposure with respect to these pending lawsuits and claims is not expected to have a material adverse effect on our consolidated financial position or cash flows, although they could have a material adverse effect on our results of operations for a particular reporting period.

In 2009, the Court of Ouargla entered a judgment of approximately $13.6 million (at December 31, 2015 exchange rates) against us relating to alleged customs infractions in Algeria. We believe we did not receive proper notice of the judicial proceedings, and that the amount of the judgment was excessive in any case. We asserted the lack of legally required notice as a basis for challenging the judgment on appeal to the Algeria Supreme Court (the “Supreme Court”). In May 2012, that court reversed the lower court and remanded the case to the Ouargla Court of Appeals for treatment consistent with the Supreme Court’s ruling. In January 2013, the Ouargla Court of Appeals reinstated the judgment. We again lodged an appeal to the Supreme Court, asserting the same challenges as before. While the appeal was pending, the Hassi Messaoud customs office initiated efforts to collect the judgment prior to the Supreme Court’s decision in the case. As a result, we paid approximately $3.1 million and posted security of approximately $1.33 million to suspend those collection efforts and to enter into a formal negotiations process with the customs authority. The customs authority demanded 50% of the total fine as a final settlement and seized additional funds of approximately $3.6 million. We have recorded a reserve in the amount of the posted security. The matter was heard by the Supreme Court on February 26, 2015, and on March 26, 2015, that court set aside the judgment of the Ouargla Court of Appeals and remanded the case to that court for further proceedings. A hearing was held on October 28, 2015 in the Ouargla Court of Appeals and on November 4, 2015, the court affirmed the Supreme Court’s decision that we were not guilty. We have filed an application to the Conseil d’Etat in an effort to recover amounts previously paid by us. A portion of those amounts equal to $3.6 million has been returned, and our efforts to recover the additional $4.4 million continue.

In March 2011, the Court of Ouargla entered a judgment of approximately $26.7 million (at December 31, 2015 exchange rates) against us relating to alleged violations of Algeria’s foreign currency exchange controls, which require that goods and services provided locally be invoiced and paid in local currency. The case relates to certain foreign currency payments made to us by CEPSA, a Spanish operator, for wells drilled in 2006. Approximately $7.5 million of the total contract amount was paid offshore in foreign currency, and approximately $3.2 million was paid in local currency. The judgment includes fines and penalties of approximately four times the amount at issue. We have appealed the ruling based on our understanding that the law in question applies only to resident entities incorporated under Algerian law. An intermediate court of appeals upheld the lower court’s ruling, and we appealed the matter to the Supreme Court. On September 25, 2014, the Supreme Court overturned the verdict against us, and the case was reheard by the Ouargla Court of Appeals on March 22, 2015 in light of the Supreme Court’s opinion. On March 29, 2015, the Ouargla Court of Appeals reinstated the initial judgment against us. We have appealed this decision again to the Supreme Court. While our payments were consistent with our historical operations in the country, and, we believe, those of other multinational corporations operating in the country, as well as interpretations of the law by the Central Bank of Algeria, the ultimate resolution of this matter could result in a loss of up to $18.7 million in excess of amounts accrued.

In 2012, Nabors Global Holdings II Limited (“NGH2L”) signed a contract with ERG Resources, LLC (“ERG”) relating to the sale of all of the Class A shares of NGH2L’s wholly owned subsidiary, Ramshorn International Limited, an oil and gas exploration company. When ERG failed to meet its closing obligations, NGH2L terminated the transaction on March 19, 2012 and, as contemplated in the agreement, retained ERG’s $3.0 million escrow deposit. ERG filed suit the following day in the 61st Judicial District Court of Harris County, Texas, in a case styled ERG Resources, LLC v. Nabors Global Holdings II Limited, Ramshorn International Limited, and Parex Resources, Inc.; Cause No. 2012-16446, seeking injunctive relief to halt any sale of the shares to a third party, specifically naming as defendant Parex Resources, Inc. (“Parex”). The lawsuit also seeks monetary damages of up to $750.0 million based on an alleged breach of contract by NGH2L and alleged tortious interference with contractual relations by Parex. We successfully defeated ERG’s effort to obtain a temporary restraining order from the Texas court on March 20, 2012. We completed the sale of Ramshorn’s Class A shares to a Parex affiliate in April 2012, which mooted ERG’s application for a temporary injunction. The defendants made numerous jurisdictional challenges and on April 30, 2015, ERG filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. Accordingly, the civil actions are currently subject to the bankruptcy stay and the claims in the suit are assets of the estate. Nabors is monitoring the bankruptcy proceeding closely to determine how it will affect the pending litigation. The lawsuit is stayed, pending further court actions, including appeals of the jurisdictional decisions. ERG retains its causes of action for monetary damages, but we believe the claims are foreclosed by the terms of the agreement and are without factual or legal merit. Although we are vigorously defending the lawsuit, its ultimate outcome cannot be determined at this time.

On July 30, 2014, we and Red Lion, along with C&J Energy and its board of directors, were sued in a putative shareholder class action filed in the Court of Chancery of the State of Delaware (the "Court of Chancery"). The plaintiff alleges that the members of the C&J Energy board of directors breached their fiduciary duties in connection with the Merger, and that Red Lion and C&J Energy aided and abetted these alleged breaches. The plaintiff sought to enjoin the defendants from proceeding with or consummating the Merger and the C&J Energy stockholder meeting for approval of the Merger and, to the extent that the Merger was completed before any relief was granted, to have the Merger rescinded. On November 10, 2014, the plaintiff filed a motion for a preliminary injunction, and, on November 24, 2014, the Court of Chancery entered a bench ruling, followed by a written order on November 25, 2014, that (i) ordered certain members of the C&J Energy board of directors to solicit for a 30 day period alternative proposals to purchase C&J Energy (or a controlling stake in C&J Energy) that were superior to the Merger, and (ii) preliminarily enjoined C&J Energy from holding its stockholder meeting until it complied with the foregoing. C&J Energy complied with the order while it simultaneously pursued an expedited appeal of the Court of Chancery's order to the Supreme Court of the State of Delaware (the "Delaware Supreme Court"). On December 19, 2014, the Delaware Supreme Court overturned the Court of Chancery's judgment and vacated the order. This case remains pending.

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

PART II

ITEM 5. *MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Market Information.

Our common shares, par value $0.001 per share, are publicly traded on the New York Stock Exchange (the "NYSE") under the symbol "NBR".

The following table sets forth the reported high and low sales prices of our common shares as reported on the NYSE for the periods indicated.

Calendar Year		Share Price High	Share Price Low
2014	First Quarter	$ 25.06	$ 16.43
	Second Quarter	29.90	23.36
	Third Quarter	30.24	22.51
	Fourth Quarter	23.08	9.91
2015	First Quarter	$ 14.09	$ 9.96
	Second Quarter	16.99	13.70
	Third Quarter	14.43	8.94
	Fourth Quarter	12.33	7.47

On February 23, 2016, the closing price of our common shares as reported on the NYSE was $6.88.

Holders.

At February 23, 2016, there were approximately 1,790 shareholders of record of our common shares.

Dividends.

On February 19, 2016, our Board declared a cash dividend of $0.06 per common share, which will be paid on March 31, 2016 to shareholders of record at the close of business on March 10, 2016.

We paid quarterly cash dividends during the past two fiscal years as shown in the table below. The declaration and payment of future dividends will be at the discretion of the Board and will depend, among other things, on future earnings, general financial condition and liquidity, success in business activities, capital requirements and general business conditions in addition to legal requirements.

	Paid per Share		Total Payment	
	2015	2014	2015	2014
	(in thousands, except per share amounts)			
Quarter				
First	$ 0.06	$ 0.04	$ 17,469	$ 11,892
Second	0.06	0.04	17,511	11,899
Third	0.06	0.06	17,509	17,989
Fourth	0.06	0.06	16,873	17,365

See Part I—Item 1.A. Risk Factors—*As a holding company, we depend on our operating subsidiaries and investments to meet our financial obligations.*

Issuer Purchases of Equity Securities.

The following table provides information relating to our repurchase of common shares during the three months ended December 31, 2015:

Period (In thousands, except per share amounts)	Total Number of Shares Repurchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximated Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
October 1 - October 31	<1	$ 11.68	1,763	304,947
November 1 - November 30	5	$ 10.04	508	300,403
December 1 - December 31	22	$ 8.31	—	300,403

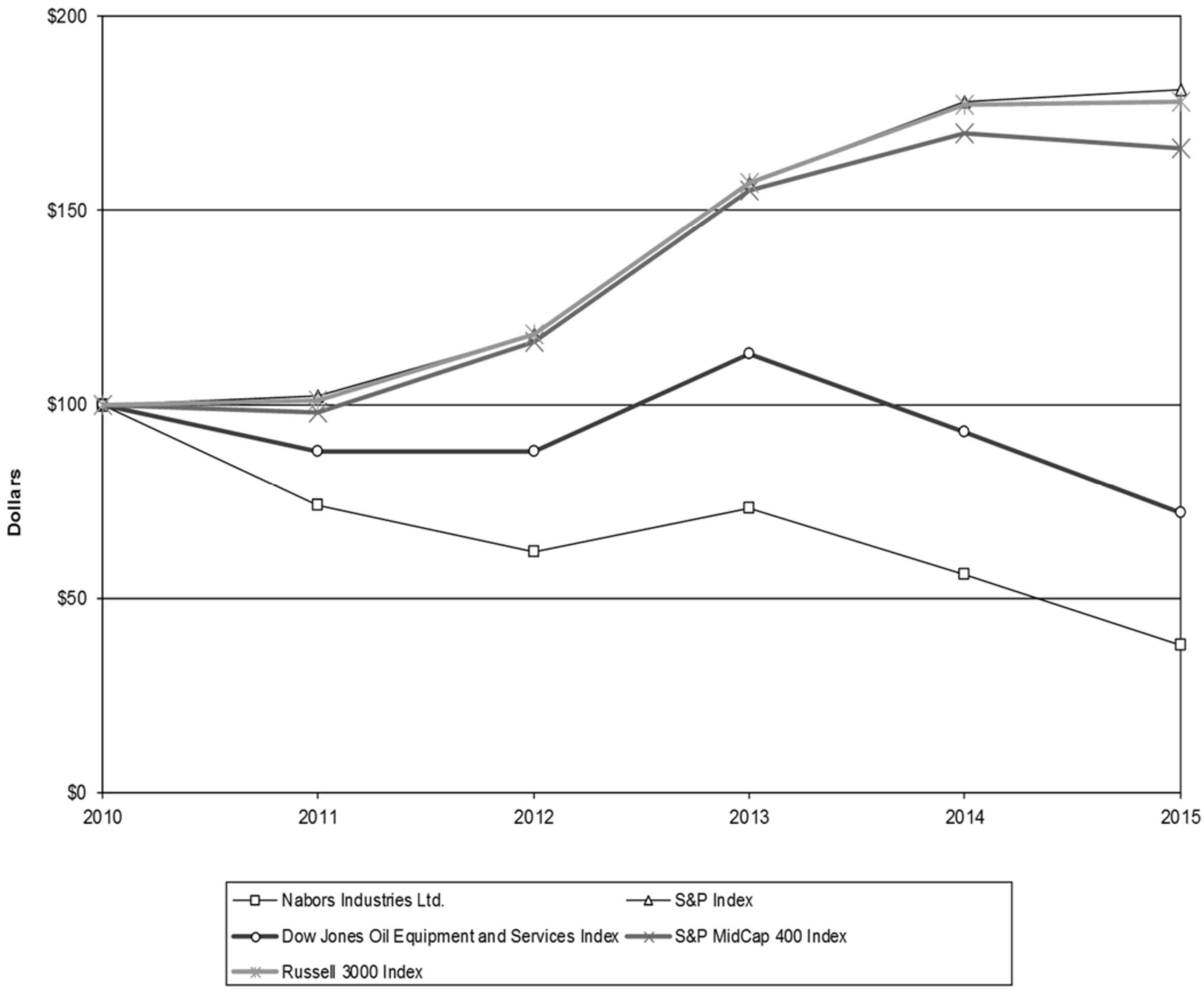
(1) Shares were withheld from employees and directors to satisfy certain tax withholding obligations due in connection with grants of stock under our 2003 Employee Stock Plan and 2013 Stock Plan. The 2013 Stock Plan, 2003 Employee Stock Plan, 1998 Employee Stock Plan, 1999 Stock Option Plan for Non-Employee Directors and 1996 Employee Stock Plan provide for the withholding of shares to satisfy tax obligations, but do not specify a maximum number of shares that can be withheld for this purpose. These shares were not purchased as part of a publicly announced program to purchase common shares.

(2) In August 2015, our Board authorized a share repurchase program under which we may repurchase up to $400 million of our common shares in the open market or in privately negotiated transactions. Through December 31, 2015, we repurchased 10.6 million of our common shares for approximately $99.6 million under this program. Shares repurchased are held by our subsidiaries. As of December 31, 2015, we had approximately $300.4 million that remained authorized under the program that may be used to purchase shares. The shares held by our subsidiaries are registered and tradable subject to securities laws and have the same voting and other rights as other outstanding shares. See Note 23—Subsequent Events.

For a description of securities authorized for issuance under equity compensation plans, see Part III, Item 12.—Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

Performance Graph

The following graph illustrates comparisons of five-year cumulative total returns among Nabors, the S&P 500 Index, Dow Jones Oil Equipment and Services Index, S&P MidCap 400 Index and Russell 3000 Index. We are now included in the S&P MidCap 400 Index and Russell 3000 Index and therefore, are presenting these new indices below. Total return assumes $100 invested on December 31, 2010 in shares of Nabors and in the aforementioned indices noted above assuming reinvestment of dividends at the end of each calendar year, presented in the table below.



	2010	2011	2012	2013	2014	2015
Nabors Industries Ltd.	100	74	62	73	56	38
S&P 500 Index	100	102	118	157	178	181
Dow Jones Oil Equipment and Services Index	100	88	88	113	93	72
S&P MidCap 400 Index	100	98	116	155	170	166
Russell 3000 Index	100	101	118	157	177	178

The foregoing graph is based on historical data and is not necessarily indicative of future performance. This graph shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to Regulations 14A or 14C under the Exchange Act or to the liabilities of Section 18 under the Exchange Act.

Related Shareholder Matters

Bermuda has exchange controls which apply to residents in respect of the Bermuda dollar. As an exempted company, Nabors is considered to be nonresident for such controls; consequently, there are no Bermuda governmental restrictions on our ability to make transfers and carry out transactions in all other currencies, including currency of the United States.

There is no reciprocal tax treaty between Bermuda and the United States regarding withholding taxes. Under existing Bermuda law there is no Bermuda income or withholding tax on dividends paid by Nabors to its shareholders. Furthermore, no Bermuda tax is levied on the sale or transfer (including by gift and/or on the death of the shareholder) of Nabors common shares (other than by shareholders resident in Bermuda).

ITEM 6. *SELECTED FINANCIAL DATA*

The following table summarizes selected financial information and should be read in conjunction with Part II, Item 7.—Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes thereto included under Part II, Item 8.—Financial Statements and Supplementary Data.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Operating Data (1)(2)	(In thousands, except per share amounts and ratio data)				
Operating revenues	$ 3,864,437	$ 6,804,197	$ 6,152,015	$ 6,843,051	$ 6,013,480
Income (loss) from continuing operations, net of tax	(329,497)	(669,265)	158,341	232,974	347,170
Income (loss) from discontinued operations, net of tax	(42,797)	21	(11,179)	(67,526)	(97,601)
Net income (loss)	(372,294)	(669,244)	147,162	165,448	249,569
Less: Net (income) loss attributable to noncontrolling interest	(381)	(1,415)	(7,180)	(621)	(1,045)
Net income (loss) attributable to Nabors	(372,675)	(670,659)	139,982	164,827	248,524
Earnings (losses) per share:					
Basic from continuing operations	$ (1.14)	$ (2.28)	$ 0.51	$ 0.80	$ 1.21
Basic from discontinued operations	(0.15)	—	(0.04)	(0.23)	(0.34)
Total Basic	$ (1.29)	$ (2.28)	$ 0.47	$ 0.57	$ 0.87
Diluted from continuing operations	$ (1.14)	$ (2.28)	$ 0.51	$ 0.79	$ 1.18
Diluted from discontinued operations	(0.15)	—	(0.04)	(0.23)	(0.33)
Total Diluted	$ (1.29)	$ (2.28)	$ 0.47	$ 0.56	$ 0.85
Weighted-average number of common shares outstanding:					
Basic	282,982	290,694	294,182	289,965	287,118
Diluted	282,982	290,694	296,592	292,323	292,484
Capital expenditures and acquisitions of businesses (3)	$ 923,236	$ 1,923,779	$ 1,365,994	$ 1,433,586	$ 2,247,735
Interest coverage ratio (4)	6.2:1	9.8:1	7.4:1	7.7:1	7.0:1

	As of December 31,				
	2015	2014	2013	2012	2011
Balance Sheet Data (1)(2)	(In thousands, except ratio data)				
Cash, cash equivalents and short-term investments	$ 274,589	$ 536,169	$ 507,133	$ 778,204	$ 539,489
Working capital	469,398	1,174,399	1,442,406	2,000,475	1,285,752
Property, plant and equipment, net	7,027,802	8,599,125	8,597,813	8,712,088	8,629,946
Total assets	9,537,840	11,862,923	12,137,749	12,631,867	12,874,958
Long-term debt	3,655,200	4,331,840	3,882,055	4,355,181	4,323,910
Shareholders' equity	4,282,710	4,908,619	5,969,086	5,944,929	5,587,022
Debt to capital ratio:					
Gross (5)	0.46:1	0.47:1	0.39:1	0.42:1	0.45:1
Net (6)	0.44:1	0.43:1	0.36:1	0.38:1	0.42:1

(1) All periods present the operating activities of most of our wholly owned oil and gas businesses, our previously held equity interests in oil and gas joint ventures in Canada and Colombia, aircraft logistics operations and construction services as discontinued operations.

(2) Our acquisitions' results of operations and financial position have been included beginning on the respective dates of acquisition and include Nabors Arabia (May 2015), 2TD (October 2014), KVS (October 2013), Navigate Energy Services, Inc. (January 2013), Peak (July 2011) and Stone Mountain Venture Partnership (June 2011). Following consummation of the Merger of our Completion & Production Services business with C&J Energy (March 2015), we ceased consolidating that business's results with our results of operations. We report our share of the earnings (losses) of CJES through earnings (losses) from unconsolidated affiliates in our consolidated statements of income (loss). As a result, our financial results of operations and financial position for periods prior to the Merger are not directly comparable with our financial results of operations and financial position for the year ended December 31, 2015.

(3) Represents capital expenditures and the total purchase price of acquisitions.

(4) The interest coverage ratio is a trailing 12-month quotient of the sum of (x) operating revenues, direct costs, general and administrative expenses and research and engineering expenses *divided* by (y) interest expense. The interest coverage ratio is not a measure of operating performance or liquidity defined by generally accepted accounting principles in the United States of America ("GAAP") and may not be comparable to similarly titled measures presented by other companies.

(5) The gross debt to capital ratio is calculated by dividing (x) total debt by (y) total capital. Total capital is defined as total debt *plus* shareholders' equity. The gross debt to capital ratio is not a measure of operating performance or liquidity defined by GAAP and may not be comparable to similarly titled measures presented by other companies.

(6) The net debt to capital ratio is calculated by dividing (x) net debt by (y) net capital. Net debt is total debt *minus* the sum of cash and cash equivalents and short-term investments. Net capital is the sum of net debt *plus* shareholders' equity. The net debt to capital ratio is not a measure of operating performance or liquidity defined by GAAP and may not be comparable to similarly titled measures presented by other companies.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The following discussion and analysis of our financial condition and results of operations is based on, and should be read in conjunction with, our consolidated financial statements and the related notes thereto included under Part II, Item 8.—Financial Statements and Supplementary Data. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under Part 1A.—Risk Factors and elsewhere in this annual report. See "Forward-Looking Statements."

Management Overview

We own and operate the world's largest land-based drilling rig fleet and are a leading provider of offshore platform workover and drilling rigs in the United States and multiple international markets. Our Drilling & Rig Services business is comprised of our global land-based and offshore drilling rig operations and other rig services, consisting of equipment manufacturing, rig instrumentation, optimization software and directional drilling services. Our Drilling & Rig Services business consist of four reportable operating segments: U.S., Canada, International and Rig Services.

On March 24, 2015, we completed the Merger of our Completion & Production Services business with C&J Energy. In the Merger and related transactions, our wholly-owned interest in our Completion & Production Service business was exchanged for cash and an equity interest in the combined entity, CJES, and is now accounted for as an unconsolidated affiliate as of the acquisition date. See further discussion in Note 9—Investments in Unconsolidated Affiliates. Prior to the Merger, our Completion & Production Services business conducted our operations involved in the completion, life-of-well maintenance and plugging and abandonment of a well in the United States and Canada. These services include stimulation, coiled-tubing, cementing, wireline, workover, well-servicing and fluids management. As a result of the Merger, we report our share of the earnings (losses) of CJES through earnings (losses) from unconsolidated affiliates in our consolidated statements of income (loss). CJES provides well construction, well completions, well support and other complementary oilfield services to oil and gas exploration and production companies primarily in North America. As we no longer consolidate the results of operations from our historical Completion & Production Services business, our results of operations for the years ended December 31, 2014 and 2013 are not directly comparable to the year ended December 31, 2015.

Outlook

The demand for our services is a function of the level of spending by oil and gas companies for exploration, development and production activities. The primary driver of customer spending is their cash flow and earnings which are largely driven by oil and natural gas prices. The oil and natural gas markets have traditionally been volatile and tend to be highly sensitive to supply and demand cycles. During the second half of 2014, the markets experienced a dramatic decline in oil prices which remained depressed throughout 2015 and into 2016 due, at least in part, to an increase in global crude supply coupled with stagnant demand. Oil prices have declined by more than 60% from the peak oil prices of 2014, falling to approximately $35 per barrel in late 2015. Subsequent to year end, oil prices have continued to decline reaching a low of $26.21 per barrel on February 11, 2016.

As a result of the sustained reduction in the price of oil, we have experienced a decline in the demand, primarily in North America and to a lesser extent in the international market, for drilling services as customers have reduced or curtailed their capital spending and drilling activities. The reduction in demand for drilling services, coupled with the increased supply of newly built high-specification rigs in the drilling market, among other factors, has led to a highly competitive market for all rigs. Accordingly, we have also experienced downward pricing pressure for our services.

Due to the decline in oil prices and customers' reduced drilling activity, we have experienced a decline in our dayrates as well as the average number of rigs operating, most notably in the lower 48 states. In our U.S. Drilling operating segment, our rig years (a measure of activity and utilization) have decreased from 212.5 years during fiscal year 2014 to 120.0 years during fiscal year 2015. In our Canada Drilling operating segment, our rig years have declined by roughly 51% from 2014. Our International operating segment has not been immune from the impact of lower oil prices. Although international drilling markets tend to react slower than the North American markets, we began to experience downward pressure on dayrates in the International segment beginning in the second quarter of 2015. Our International rig years declined in the latter half of 2015, primarily due to the conclusion of several drilling projects as well as reduced activity resulting from lower commodity prices. Given the commodity price environment entering 2016, we expect continued erosion at least through the first half of the year in industry rig counts, both domestic and international, as well as continued downward pressure on the utilization and pricing of our rig fleets.

At December 31, 2015, we had $2.24 billion availability remaining under our $2.25 billion revolving credit facility and commercial paper program, which expires July 2020. Availability under the revolving credit facility is subject to a covenant not to exceed a net debt to capital ratio of 0.60:1. As of December 31, 2015, our net debt to capital ratio was 0.44:1. See Item 6. "Selected Financial Data".

Financial Results

During 2015, our income (loss) from continuing operations was adversely affected by approximately $369.0 million in impairments and other charges. Net loss from continuing operations totaled $329.5 million for 2015 ($1.14 per diluted share) compared to a net loss from continuing operations of $669.3 million ($2.28 per diluted share) in 2014. The impairment charges stemmed from the impact of the industry downturn on our business activity and future outlook as the continuation of depressed oil prices led to considerable reductions in capital spending by some of our customers and diminished demand for our drilling services. The impairments and retirement provisions were primarily comprised of $140.1 million related to tangible assets and equipment and $180.6 million related to an other-than-temporary impairment on our equity method investment in CJES.

Operating revenues in 2015 totaled $3.9 billion, representing a decrease of $2.9 billion, or 43%, over 2014. The decrease in revenues was due in part to ceasing to consolidate the revenues associated with our Completion & Production Services business. Further exacerbating the decline in revenues was the decrease in activity and reduced dayrates within our U.S. and Canada Drilling operating segments resulting from the overall decline in oil prices throughout 2015 as mentioned above. These decreases were partially offset by an increase in revenue in our International Drilling operating segment.

During 2014, our income (loss) from continuing operations was adversely affected by approximately $1.03 billion in impairments and other charges. Net loss from continuing operations totaled $669.3 million for 2014 ($2.28 per diluted share) compared to net income from continuing operations of $158.3 million ($0.51 per diluted share) in 2013.

The impairments and retirement provisions stemmed from the sharp decline in crude oil prices during the fourth quarter of 2014 and the resulting impact on our customers' spending programs and demand for our services. The impairments and retirement provisions were comprised of approximately $611.6 million in charges related to drilling rigs and rig equipment and $386.5 million in impairments to our goodwill and intangible assets. The goodwill and intangible assets were primarily attributable to our Completion Services operating segment from the acquisition of Superior Well Services, Inc. ("Superior") in 2010. Of the $611.6 million in charges related to our drilling rigs and rig equipment, the majority is attributable to retirements and impairments to our lower 48 legacy rig fleet (non AC rigs), including the functional retirement of 25 mechanical rigs, an impairment to the SCR fleet and the resultant reduction in yard assets and spare rig components due to reduced operating fleet size. The balance is attributable to charges for the impairment or retirement of our jackup rig fleet in the Gulf of Mexico, our coil tubing drilling rigs in Canada and various other under-utilized rigs and related equipment in Canada and our international markets.

Excluding these items, our operating results increased in 2014 over 2013. Operating revenues in 2014 totaled $6.8 billion, representing an increase of $652.2 million, or 11%, over 2013. The increase in revenues was driven by increases from virtually all of our operating segments with the exception of Canada Drilling. Adjusted operating income for 2014 totaled $604.3 million, representing an increase of $46.1 million, or 8%, over 2013. This increase was driven primarily by our U.S. and International Drilling and Rig Services operating segments, which more than offset declines in our Completion and Production Services and Canada Drilling operating segments.

The following tables set forth certain information with respect to our reportable segments and rig activity:

	Year Ended December 31,			Increase/(Decrease)			
	2015	2014	2013	2015 to 2014		2014 to 2013	
	(In thousands, except percentages)						
Operating revenues: (1)							
Drilling & Rig Services:							
U.S.	$ 1,256,989	$ 2,159,968	$ 1,914,786	$ (902,979)	(42)%	$ 245,182	13%
Canada	137,494	335,192	361,676	(197,698)	(59)%	(26,484)	(7)%
International	1,862,393	1,624,259	1,459,223	238,134	15%	165,036	11%
Rig Services (2)	391,066	692,908	521,397	(301,842)	(44)%	171,511	33%
Subtotal Drilling & Rig Services	3,647,942	4,812,327	4,257,082	(1,164,385)	(24)%	555,245	13%
Completion & Production Services:							
Completion Services	207,860	1,217,899	1,074,321	(1,010,039)	(83)%	143,578	13%
Production Services	158,512	1,033,538	1,009,214	(875,026)	(85)%	24,324	2%
Subtotal Completion & Production Services	366,372	2,251,437	2,083,535	(1,885,065)	(84)%	167,902	8%
Other reconciling items (3)	(149,877)	(259,567)	(188,602)	109,690	42%	(70,965)	(38)%
Total	$ 3,864,437	$ 6,804,197	$ 6,152,015	$ (2,939,760)	(43)%	$ 652,182	11%

	Year Ended December 31, 2015	2014	2013	Increase/(Decrease) 2015 to 2014		2014 to 2013	
	(In thousands, except percentages)						
Adjusted EBITDA: (1) (4)							
Drilling & Rig Services:							
U.S.	$ 513,003	$ 835,679	$ 755,706	$ (322,676)	(39)%	$ 79,973	11%
Canada	39,757	108,454	118,989	(68,697)	(63)%	(10,535)	(9)%
International	719,266	611,320	519,451	107,946	18%	91,869	18%
Rig Services (2)	20,978	86,933	33,504	(65,955)	(76)%	53,429	159%
Subtotal Drilling & Rig Services	1,293,004	1,642,386	1,427,650	(349,382)	(21)%	214,736	15%
Completion & Production Services:							
Completion Services	(28,110)	94,377	160,573	(122,487)	(130)%	(66,196)	(41)%
Production Services	23,043	207,919	205,632	(184,876)	(89)%	2,287	1%
Subtotal Completion & Production Services	(5,067)	302,296	366,205	(307,363)	(102)%	(63,909)	(17)%
Other reconciling items (5)	(160,517)	(195,283)	(148,998)	34,766	18%	(46,285)	(31)%
Total	$ 1,127,420	$ 1,749,399	$ 1,644,857	$ (621,979)	(36)%	$ 104,542	6%

	Year Ended December 31, 2015	2014	2013	Increase/(Decrease) 2015 to 2014		2014 to 2013	
	(In thousands, except percentages)						
Adjusted operating income (loss): (1) (6)							
Drilling & Rig Services:							
U.S.	$ 87,051	$ 370,173	$ 315,496	$ (283,122)	(76)%	$ 54,677	17%
Canada	(7,029)	52,468	61,193	(59,497)	(113)%	(8,725)	(14)%
International	308,262	243,975	172,792	64,287	26%	71,183	41%
Rig Services (2)	(12,641)	53,374	1,475	(66,015)	(124)%	51,899	n/m(11)
Subtotal Drilling & Rig Services	375,643	719,990	550,956	(344,347)	(48)%	169,034	31%
Completion & Production Services:							
Completion Services	(55,243)	(15,540)	51,331	(39,703)	(255)%	(66,871)	(130)%
Production Services	(3,559)	93,414	102,130	(96,973)	(104)%	(8,716)	(9)%
Subtotal Completion & Production Services	(58,802)	77,874	153,461	(136,676)	(176)%	(75,587)	(49)%
Other reconciling items (5)	(159,880)	(193,565)	(146,237)	33,685	17%	(47,328)	(32)%
Total	$ 156,961	$ 604,299	$ 558,180	$ (447,338)	(74)%	$ 46,119	8%
Earnings (losses) from unconsolidated affiliates (7)	$ (75,081)	$ (6,301)	$ 39	$ (68,780)	n/m(11)	$ (6,340)	n/m(11)

	Year Ended December 31,			Increase/(Decrease)			
	2015	2014	2013	2015 to 2014		2014 to 2013	
	(In thousands, except percentages and rig activity)						
Reconciliation of adjusted EBITDA to income (loss) from continuing operations before income taxes:							
Total adjusted EBITDA (4)	$ 1,127,420	$ 1,749,399	$ 1,644,857	$ (621,979)	(36)%	$ 104,542	6%
Depreciation and amortization	(970,459)	(1,145,100)	(1,086,677)	(174,641)	(15)%	58,423	5%
Total adjusted operating income (loss) (6)	156,961	604,299	558,180	(447,338)	(74)%	46,119	8%
Earnings (losses) from unconsolidated affiliates (7)	(75,081)	(6,301)	39	(68,780)	n/m(11)	(6,340)	n/m(11)
Investment income (loss)	2,308	11,831	96,577	(9,523)	(80)%	(84,746)	(88)%
Interest expense	(181,928)	(177,948)	(223,418)	3,980	2%	(45,470)	(20)%
Impairments and other charges	(368,967)	(1,027,423)	(287,241)	(658,456)	(64)%	740,182	n/m(11)
Other, net	39,172	(9,073)	(37,977)	30,099	n/m(11)	28,904	76%
Income (loss) from continuing operations before income taxes	$ (427,535)	$ (604,615)	$ 106,160	$ 177,080	29%	$ (710,775)	n/m(11)
Rig activity:							
Rig years: (8)							
U.S.	120.0	212.5	195.0	(92.5)	(44)%	17.5	9%
Canada	16.7	34.1	29.9	(17.4)	(51)%	4.2	14%
International (9)	124.0	127.1	124.2	(3.1)	(2)%	2.9	2%
Total rig years	260.7	373.7	349.1	(113.0)	(30)%	24.6	7%
Rig hours: (10)							
U.S. Production Services	129,652	809,438	865,939	(679,786)	(84)%	(56,501)	(7)%
Canada Production Services	23,947	139,938	152,747	(115,991)	(83)%	(12,809)	(8)%
Total rig hours	153,599	949,376	1,018,686	(795,777)	(84)%	(69,310)	(7)%

(1) All periods present the operating activities of most of our wholly owned oil and gas businesses, aircraft logistics operations and construction services as discontinued operations.

(2) Includes our other services comprised of our drilling technology and top drive manufacturing, directional drilling, rig instrumentation and software services.

(3) Represents the elimination of inter-segment transactions.

(4) Adjusted EBITDA is computed by subtracting the sum of direct costs, general and administrative expenses and research and engineering expenses from operating revenues. Adjusted EBITDA is a non-GAAP measure and should not be used in isolation or as a substitute for the amounts reported in accordance with GAAP. However, management evaluates the performance of our operating segments and the consolidated company based on several criteria, including adjusted EBITDA and adjusted operating income (loss), because we believe that these financial measures accurately reflect our ongoing profitability and performance. In addition, securities analysts and investors use this measure as one of the metrics on which they analyze our performance. A reconciliation of this non-GAAP measure to income (loss) from continuing operations before income taxes, which is a GAAP measure, is provided in the above table.

(5) Represents the elimination of inter-segment transactions and unallocated corporate expenses.

(6) Adjusted operating income (loss) is computed by subtracting the sum of direct costs, general and administrative expenses, research and engineering expenses and depreciation and amortization from operating revenues. Adjusted operating income (loss) is a non-GAAP measure and should not be used in isolation or as a substitute for the amounts reported in accordance with GAAP. However, management evaluates the performance of our operating segments and the consolidated company based on several criteria, including adjusted EBITDA and adjusted operating income (loss), because we believe that these

financial measures accurately reflect our ongoing profitability and performance. In addition, securities analysts and investors use this measure as one of the metrics on which they analyze our performance. A reconciliation of this non-GAAP measure to income (loss) from continuing operations before income taxes, which is a GAAP measure, is provided in the above table.

(7) Represents our share of the net income (loss), as adjusted for our basis difference, of our unconsolidated affiliates accounted for by the equity method, inclusive of $(81.3) million for the year ended December 31, 2015 related to our share of the net loss of CJES, which we report on a one-quarter lag.

(8) Excludes well-servicing rigs, which are measured in rig hours. Includes our equivalent percentage ownership of rigs owned by unconsolidated affiliates. Rig years represent a measure of the number of equivalent rigs operating during a given period. For example, one rig operating 182.5 days during a 365-day period represents 0.5 rig years.

(9) International rig years include our equivalent percentage ownership of rigs owned by unconsolidated affiliates, which totaled 2.5 years in 2014 and 2013. Beginning May 24, 2015, Nabors Arabia's operations have been consolidated.

(10) Rig hours represents the number of hours that our well-servicing rig fleet operated during the year. This fleet was included in the Completion & Production Services business that was merged with C&J Energy in March 2015 and we will therefore no longer report this performance metric.

(11) The number is so large that it is not meaningful.

Segment Results of Operations

Drilling & Rig Services

Our Drilling & Rig Services business consists of four reportable operating segments: U.S., Canada, International and Rig Services. For a description of this business and its operating segments, see Part I, Item 1.—Business. The following table presents our operating revenues, adjusted EBITDA, adjusted operating income (loss) and rig years by operating segment, as applicable, for the years ended December 31, 2015, 2014 and 2013.

	Years Ended December 31,			Increase/(Decrease)			
	2015	2014	2013	2015 to 2014		2014 to 2013	
	(In thousands, except percentages and rig activity)						
U.S.							
Operating revenues	$ 1,256,989	$ 2,159,968	$ 1,914,786	$ (902,979)	(42)%	$ 245,182	13%
Adjusted EBITDA	$ 513,003	$ 835,679	$ 755,706	$ (322,676)	(39)%	$ 79,973	11%
Adjusted operating income (loss)	$ 87,051	$ 370,173	$ 315,496	$ (283,122)	(76)%	$ 54,677	17%
Rig years	120.0	212.5	195.0	(92.5)	(44)%	17.5	9%
Canada							
Operating revenues	$ 137,494	$ 335,192	$ 361,676	$ (197,698)	(59)%	$ (26,484)	(7)%
Adjusted EBITDA	$ 39,757	$ 108,454	$ 118,989	$ (68,697)	(63)%	$ (10,535)	(9)%
Adjusted operating income (loss)	$ (7,029)	$ 52,468	$ 61,193	$ (59,497)	(113)%	$ (8,725)	(14)%
Rig years	16.7	34.1	29.9	(17.4)	(51)%	4.2	14%
International							
Operating revenues	$ 1,862,393	$ 1,624,259	$ 1,459,223	$ 238,134	15%	$ 165,036	11%
Adjusted EBITDA	$ 719,266	$ 611,320	$ 519,451	$ 107,946	18%	$ 91,869	18%
Adjusted operating income (loss)	$ 308,262	$ 243,975	$ 172,792	$ 64,287	26%	$ 71,183	41%
Rig years	124.0	127.1	124.2	(3.1)	(2)%	2.9	2%
Rig Services							
Operating revenues	$ 391,066	$ 692,908	$ 521,397	$ (301,842)	(44)%	$ 171,511	33%
Adjusted EBITDA	$ 20,978	$ 86,933	$ 33,504	$ (65,955)	(76)%	$ 53,429	159%
Adjusted operating income (loss)	$ (12,641)	$ 53,374	$ 1,475	$ (66,015)	(124)%	$ 51,899	n/m (11)

U.S.

Our U.S. Drilling operating segment includes land drilling activities in the lower 48 states, Alaska and offshore operations in the Gulf of Mexico.

Operating results decreased from 2014 to 2015 primarily due to a decline in drilling activity in the lower 48 states, reflected by a 44% reduction in rig years during 2015 compared to the prior period. This decrease was primarily driven by lower oil prices beginning in the fourth quarter of 2014 and diminished demand as customers released rigs and delayed drilling projects in response to the significant drop in oil prices. The decline in revenue in the lower 48 states was partially offset by a decrease in operating and general and administrative costs for this segment due to cost reduction efforts.

Operating results increased from 2013 to 2014 primarily due to an increase in drilling activity and dayrates in the lower 48 states. We deployed approximately 16 new PACE®-X rigs into service in 2014, bringing our total operating fleet of PACE®-X rigs to 32. The deployment of these newly built rigs was the primary factor for the increase in 2014 of rig years, operating revenues and adjusted operating income.

Canada

Operating results decreased from 2014 to 2015 primarily due to a decline in drilling rig activity and dayrates. These declines were the direct result of lower industry activity and pricing pressure from customers resulting from the decline in oil and gas prices. The lower activity is evidenced by a 51% reduction in rig years during 2015 compared to the prior period. The Canadian dollar weakened approximately 19% against the U.S. dollar year-over-year. This also negatively impacted margins, as both revenues and expenses are denominated in Canadian dollars.

Operating results decreased slightly from 2013 to 2014 primarily due to an unfavorable foreign exchange variance. The Canadian dollar weakened approximately 7% against the U.S. dollar. In addition, the Canada operations were impacted by a decline in average drilling dayrates. These decreases were partially offset by streamlining activities and cost saving initiatives.

International

Operating results increased from 2014 to 2015 primarily as a result of an increase in rig count coupled with the incremental revenue associated with our acquisition of the remaining equity interest in Nabors Arabia in the second quarter of 2015. Furthermore, our International operations benefitted from the incremental margins associated with deployments of several newly constructed rigs throughout 2014. These increases were partially offset by a decrease in rig years in Mexico, Papua New Guinea and Bahrain.

Operating results increased from 2013 to 2014 primarily as a result of higher dayrates from existing land rigs in Algeria, Colombia, Northern Iraq, Russia and Saudi Arabia, as well as deployments of newly built rigs in Saudi Arabia and Argentina. These increases were partially offset by decreased land drilling activity in Mexico.

Rig Services

Operating results decreased from 2014 to 2015 primarily due to a broad-based decline in revenue-producing activities, including top drives and catwalk sales and the continued decline in financial results in our directional drilling businesses due to intense competition and the low price of oil. The decline in revenue was partially offset by a decrease in operating and general and administrative costs for this segment due to cost-reduction efforts.

Operating results increased from 2013 to 2014 primarily due to higher demand in the United States and Canada drilling markets for top drives, rig instrumentation and data collection services from oil and gas exploration companies, along with higher third-party rental and RIGWATCH® units, which generate higher margins. These increases were partially offset by the continued decline in financial results in our directional drilling businesses due to intense competition.

OTHER FINANCIAL INFORMATION

	Year Ended December 31,			Increase/(Decrease)			
	2015	2014	2013	2015 to 2014		2014 to 2013	
	(In thousands, except percentages)						
General and administrative expenses	$ 324,328	$ 500,036	$ 479,890	$ (175,708)	(35)%	$ 20,146	4%
As a percentage of operating revenue	8.4%	7.3%	7.8%	1.1%	15.1%	(0.5)%	(6.4)%
Research and engineering	41,253	49,698	45,440	(8,445)	(17)%	4,258	9%
Depreciation and amortization	970,459	1,145,100	1,086,677	(174,641)	(15)%	58,423	5%
Earnings (losses) from unconsolidated affiliates	(75,081)	(6,301)	39	(68,780)	n/m(1)	(6,340)	n/m(1)
Interest expense	181,928	177,948	223,418	3,980	2%	(45,470)	(20)%
Investment income (loss)	2,308	11,831	96,577	(9,523)	(80)%	(84,746)	(88)%
Other expense (income), net	(39,172)	9,073	37,977	(48,245)	n/m(1)	(28,904)	(76)%

(1) The number is so large that it is not meaningful.

General and administrative expenses

General and administrative expenses decreased from 2014 to 2015. Over half of the decrease, approximately $98.5 million, was due to the fact that we no longer consolidate the expenses from our Completion & Production Services business as a result of the Merger. The remainder of the decrease was attributable to a reduction in workforce and general cost-reduction efforts across the remaining operating units and our corporate offices. As a percentage of operating revenues, general and administrative expenses are slightly higher in 2015 due to the reductions in revenues primarily across the U.S. operating units.

General and administrative expenses increased slightly from 2013 to 2014 primarily as a result of increased activity across the operating units, particularly within our U.S. and International drilling segments. As a percentage of operating revenues, general and administrative expenses are comparable for each period relative to fluctuations in activity levels.

Research and engineering

Research and engineering expenses decreased slightly from 2014 to 2015. The decrease was primarily attributable to a reduction in workforce and general cost-reduction efforts across the various operating units.

Research and engineering expenses increased slightly from 2013 to 2014. The increase was primarily attributable to the development of drilling and measurement tools resulting from our acquisition of NES, as well as an increase in personnel as a result of the acquisition of 2TD during October 2014.

Depreciation and amortization

Depreciation and amortization expense decreased from 2014 to 2015 primarily due to the fact that we no longer consolidate the expenses from our Completion & Production Services business as a result of the Merger, which accounted for $170.7 million, or 98% of the decrease. The remainder of the decrease was due to the impairment and retirement of rigs and rig components during the fourth quarter of 2014, which more than offset the incremental depreciation attributed to newly constructed rigs, rig upgrades and other capital expenditures made during 2014.

Depreciation and amortization expense increased from 2013 to 2014 as a result of the incremental depreciation expense related to newly constructed rigs placed into service during 2014, and to a lesser extent, rig upgrades and other capital expenditures.

Earnings (losses) from unconsolidated affiliates

Earnings (losses) from unconsolidated affiliates represents our share of the net income (loss), as adjusted for our basis differences, of our equity method investments, primarily composed of our investment in CJES. We account for our investment in CJES on a one-quarter lag. Accordingly, the year ended December 31, 2015 includes our share of the net income (loss) of CJES from the closing of the Merger until September 30, 2015, resulting in a loss of $81.3 million. The operating losses of CJES for the nine months ended September 30, 2015 are primarily due to reduced activity levels driven by lower customer demand stemming from lower oil prices coupled with the further pricing concessions required by the highly competitive environment. Further sustained declines in oil prices and activity levels in the pressure pumping business could impact CJES's operations and the fair value of its assets, resulting in future operating losses.

Interest expense

Interest expense was relatively flat from 2014 to 2015. Our average outstanding debt balances during 2015 were lower than those in the corresponding 2014 period, primarily due to the repayment of a portion of our outstanding debt using cash consideration received in connection with the Merger. In addition, due to the downturn in the oil and gas markets, we have curtailed spending on major projects, which resulted in a reduction in the amount of capitalized interest recognized during the period.

Interest expense decreased from 2013 to 2014 primarily as a result of the redemptions of $785.4 million of our 9.25% senior notes in September 2013. During 2014, our average outstanding debt balances were similar to the levels of debt outstanding during 2013. However, our average interest rates were lower on those outstanding balances, primarily due to replacing the high coupon 9.25% senior notes in September 2013, with the issuance of $700 million aggregate principal senior notes at lower coupon rates, comprised of $350.0 million principal amount of 2.35% senior notes and $350.0 million principal amount of 5.10% senior notes. Additionally, we expanded the use of our low cost commercial paper program during 2014, resulting in a favorable mix between balances outstanding on the revolving line of credit and commercial paper.

Investment income

Investment income during 2015 was $2.3 million and included realized gains of $1.9 million attributable to interest and dividend income.

Investment income during 2014 was $11.8 million and included $5.6 million of realized gains from short-term and other long-term investments and $6.2 million in interest and dividend income.

Investment income during 2013 was $96.6 million and included $89.0 million of realized gains from short-term and other long-term investments and net gains of $2.5 million from our trading securities. The balance was attributable to $5.1 million in interest and dividend income.

Other expense (income), net

The amount of other expense (income), net for 2015 was $39.2 million of income, which was primarily comprised of a net gain of $47.1 million related to the Merger, inclusive of a $102.2 million gross gain offset by transaction costs and post-closing adjustment, and net gains on sales and disposals of assets of approximately $2.3 million. These gains were partially offset by increases to litigation reserves of $8.2 million and foreign currency exchange losses of $0.4 million.

The amount of other expense (income), net for 2014 was $9.1 million of expense, which was primarily comprised of (i) increases to litigation reserves of $8.9 million, (ii) losses on debt buybacks of $5.6 million and (iii) foreign currency exchange losses of $1.0 million. These losses were partially offset by the net gain on sales and disposals of assets of approximately $8.8 million.

The amount of other expense (income), net for 2013 was $38.0 million of expense, which was primarily comprised of (i) net losses on sales and disposals of assets of approximately $13.6 million, (ii) increases to litigation reserves of $11.7 million, (iii) foreign currency exchange losses of $6.2 million and (iv) losses on debt buybacks of $3.8 million.

Impairments and Other Charges

	Year Ended December 31,			Increase/(Decrease)			
	2015	2014	2013	2015 to 2014		2014 to 2013	
	(In thousands, except percentages)						
Tangible Assets & Equipment:							
Provision for retirement of assets	$ 65,633	$ 393,962	$ 14,044	$ (328,329)	(83)%	$ 379,918	n/m(1)
Impairment of long-lived assets	74,464	217,627	20,000	(143,163)	(66)%	197,627	n/m(1)
Subtotal	140,097	611,589	34,044	(471,492)	(77)%	577,545	n/m(1)
Goodwill & Intangible Assets:							
Goodwill impairments	—	356,605	—	(356,605)	(100)%	356,605	100%
Intangible asset impairment	—	29,942	—	(29,942)	(100)%	29,942	100%
Subtotal	—	386,547	—	(386,547)	(100)%	386,547	100%
Other Charges:							
Other-than-temporary impairment	180,591	6,974	—	173,617	n/m(1)	6,974	100%
Provision for International operations	48,279	—	—	48,279	100%	—	—
Transaction costs	—	22,313	—	(22,313)	(100)%	22,313	100%
Loss on tendered notes	—	—	208,197	—	—	(208,197)	(100)%
Termination of employment contract	—	—	45,000	—	—	(45,000)	(100)%
Total	$ 368,967	$ 1,027,423	$287,241	$ (658,456)	(64)%	$ 740,182	258%

(1) Number is so large that it is not meaningful.

For the year ended December 31, 2015

Throughout 2015, our industry continued to experience depressed oil prices, which led to considerable reductions in capital spending by some of our customers and has diminished demand for our drilling services. The impact of the industry downturn on our business activity and future outlook resulted in impairments and retirement provisions of approximately $140.1 million, an other-than-temporary impairment on our investment in CJES of $180.6 million, and the provision for International operations of $48.3 million during 2015 as discussed below.

Tangible Assets and Equipment

The following table summarizes the 2015 retirement and impairment charges for tangible assets and equipment by operating segment:

	Provision for Retirements	Tangible Asset Impairments	Total
Drilling & Rig Services:			
U.S.	$ 47,247	$ —	$ 47,247
Canada	7,547	—	7,547
International	10,839	52,479	63,318
Rig Services	—	3,879	3,879
Other	—	18,106	18,106
Total	$ 65,633	$ 74,464	$ 140,097

During 2015, we retired some rigs and rig components in our U.S., Canada and International Drilling operating segments and reduced their carrying value to their estimated salvage value. Due to market conditions and resulting increase in competition in the drilling market, we have experienced a decline in utilization of our remaining legacy rigs. Accordingly, we retired roughly half of our fleet of SCR rigs within the U.S. Drilling operating segment, continuing to market the remaining 47 of our most competitive assets within this group. Additionally, we retired various yard assets within our International operating segment as well as rig-related equipment in our Canada operating segment.

In 2015, we also recorded impairments totaling $74.5 million primarily comprised of $52.5 million for an inactive jackup rig in our International operating segment. We recognized an impairment of $15.1 million to our retained interest in the oil and gas properties located on the North Slope of Alaska to reduce the carrying value to fair value, as a result of the sustained decline in oil prices. The balance of the impairment charge primarily relates to obsolete inventory within our Rig Services operating segment.

Other-than-temporary impairment

During the third quarter of 2015, we determined the carrying value of our investment in CJES was other than temporarily impaired which resulted in an impairment charge of $180.6 million to reduce our carrying value to its estimated fair value determined principally based on the average share price over a specified period. The charge directly resulted from reduced activity levels driven by lower customer demand stemming from lower oil prices coupled with further pricing concessions required by the highly competitive environment. Further sustained declines in oil prices and activity levels in the pressure pumping business could impact CJES's operations and the fair value of its assets, resulting in future operating losses. Additionally, as of the date of this annual report, the market price of CJES is trading below our carrying value. Should it remain at these levels for an extended period of time, it could result in a future other-than-temporary impairment.

Provision for International operations

During 2015, we recognized $25.4 million related to assets and receivables impacted by the degradation of the overall country economy and financial situation in Venezuela, which has been adversely affected by the downturn in oil prices, primarily comprised of a loss of $10.0 million related to the remeasurement of our net monetary assets denominated in local currency from the official exchange rate of 6.3 Bolivares per US dollar to the SIMADI exchange rate which was 199 Bolivares per US dollar as of September 30, 2015 and $15.4 million related to the write-off of a receivable balance. The balance of this provision represents an obligation associated with the decision to exit a non-core business line in another country within the region of $22.9 million.

For the year ended December 31, 2014

Tangible Assets and Equipment

The following table summarizes the 2014 retirement and impairment charges for tangible assets and equipment by operating segment:

	Provision for Retirements	Tangible Asset Impairments	Total
Drilling & Rig Services:			
U.S.	$ 271,141	$ 137,000	$ 408,141
Canada	24,211	10,176	34,387
International	56,472	70,451	126,923
Rig Services	42,138	—	42,138
Total	$ 393,962	$ 217,627	$ 611,589

Approximately two-thirds of the 2014 charges from drilling rigs and rig equipment is related to the U.S. lower 48 legacy rig fleet. Given the sharp decline in crude oil prices and the resulting impact on our customers' spending programs that we experienced in 2014, and the disproportionate impact of the reduced activity that we believe our legacy rig fleet will absorb, we have retired 25 mechanical rigs and impaired our fleet of SCR rigs, including the resultant retirement of and reduction in yard assets and spare rig components associated with a reduced overall size of our working rig fleet.

Also included in the 2014 charges for our U.S. drilling rigs and rig equipment is a retirement provision of approximately $54.4 million for our Gulf of Mexico jackup fleet. This market has been challenged for the past several years and we believe the drop in oil prices will exacerbate the lack of demand for these rigs. The majority of these rigs would require substantial amounts of capital in order for them to be operable again.

The balance of the drilling rigs and rig equipment charges relate to our coil tubing drilling rig fleet in Canada and various under-utilized or under-performing rigs or asset classes throughout our International and Canada drilling fleets. We also recognized an impairment charge related to obsolete inventory within our Rig Services operating segment.

Goodwill and Intangible Assets

During 2014, we recognized an impairment of goodwill totaling $356.6 million, the majority of which was for the remaining goodwill balance of $335.0 million in our Completion Services operating segment related to the acquisition of Superior in 2010. The value attributable to the Merger with CJES declined sharply beginning in the fourth quarter of 2014, with a drop in the market price of CJES's stock and the agreed upon reduction to the amount of cash we expect to receive from this transaction. The combination of these events and a sharp decline in the market price of our stock, led us to believe that a triggering event had occurred in the fourth quarter of 2014, and we performed an impairment test on our remaining goodwill balances. We determined that our Completion Services goodwill balances should be fully impaired. The balance of the impairment relates to $21.6 million in goodwill related to Ryan Directional Services, Inc. our directional drilling operations included in our Rig Services operating segment. The decline in oil prices and the impact it had on our businesses, along with the lack of certainty surrounding an eventual recovery, led us to impair these goodwill balances.

Additionally, during 2014, we recognized an impairment of $29.9 million primarily related to various intangible assets, such as customer relationships within our Completion & Production Services and Rig Services operating segments related to previous acquisitions.

Transaction costs

During 2014, we incurred $22.3 million in transaction costs related to the Merger with CJES, including professional fees and other costs incurred to reorganize the business in contemplation of the Merger.

Other-than-temporary impairment

During 2014, we recorded an other-than-temporary impairment of $7.0 million related to an equity security. Because the trading price of this security remained below our cost basis for an extended period, we determined the investment was other than temporarily impaired and it was appropriate to write down the investment's carrying value to its current estimated fair value.

For the year ended December 31, 2013

Provision for retirement of long-lived assets

During 2013, we recorded a provision for retirement of long-lived assets in multiple operating segments totaling $14.0 million, which reduced the carrying value of some assets to their salvage value. The retirements related to assets in Saudi Arabia and included obsolete top-drives, nonworking trucks, generators, engines and other miscellaneous equipment. The retirements in our Canada operations included functionally inoperable rigs and other drilling equipment. In our Completion & Production Services operations, the retirements related to rigs and vehicles that would require significant repair to return to work and other non-core assets.

Impairments of long-lived assets

During 2013, we recognized an impairment of $20.0 million to our fleet of coil-tubing units in our Completion & Production Services business. Intense competition and oversupply of equipment has led to lower utilization and margins for this product line. When these factors were considered as part of our annual impairment tests on long-lived assets, the sum of the estimated future cash flows, on an undiscounted basis, was less than the carrying amount of these assets. The estimated fair values of these assets were calculated using discounted cash flow models involving assumptions based on our utilization of the assets, revenues and direct costs, capital expenditures and working capital requirements. We believe the fair value estimated for purposes of these tests represents a Level 3 fair value measurement. In 2013, we suspended our coil-tubing operations in the United States.

Loss on tendered notes

During 2013, we recognized a loss related to the extinguishment of debt in connection with the tender offer for our 9.25% senior notes. See Note 11—Debt for additional discussion. In 2013, we completed a cash tender offer for these notes and repurchased $785.4 million aggregate principal amount. We paid the holders an aggregate of approximately $1.0 billion in cash, reflecting principal and accrued and unpaid interest and prepayment premium and recognized a loss as part of the debt extinguishment.

Provision for termination of employment contract

During 2013, we recognized a one-time stock grant valued at $27.0 million, which vested immediately, and $18.0 million in cash awarded and paid to Mr. Petrello in connection with the termination of his prior employment agreement. See Note 17—Commitments and Contingencies for additional discussion.

Income tax rate

	Year Ended December 31,			Increase/(Decrease)			
	2015	2014	2013	2015 to 2014		2014 to 2013	
Effective income tax rate from continuing operations.....	22.9%	(10.4)%	(52.0)%	33.3%	320%	41.6%	80%

The change in our worldwide effective tax rate from 2014 to 2015 is primarily attributable to the tax effect of the geographic mix of pre-tax earnings (losses), including greater losses in higher-tax jurisdictions. The tax effect of impairments and internal restructuring also contributed to the change.

The change in our worldwide effective tax rate from 2013 to 2014 is primarily attributable to the tax effect related to impairments and internal restructuring. The change in geographic mix of pre-tax earnings also contributed to the change.

Assets Held-for-Sale

	As of December 31,	
	2015	2014
	(In thousands)	
Oil and Gas..	$ 73,578(1)	$ 146,467
Other..	2,100	—
	$ 75,678	$ 146,467

(1) The carrying value of these assets was reduced by $51.0 million to reflect current fair value, due to the deterioration of economic conditions in the dry gas market in western Canada. The impairment charge is reflected in income (loss) from discontinued operations, net of tax in our consolidated statement of income (loss) as outlined below.